

Comprehensive Annual Financial Report
of
CLEARFIELD CITY CORPORATION
Clearfield, Utah

For the Year Ended June 30, 2005

Jackie E Bippes, City Manager
Robert Wylie, Financial Director
Steven M. Guy, City Treasurer

Ulrich & Associates, PC
Certified Public Accountants
Ogden, Utah

Clearfield City Corporation

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INTRODUCTORY SECTION



Finance Department

November 17, 2005

To the Honorable Mayor, Members of the City Council,
and Citizens of Clearfield City

It is my pleasure to present the 2005 Comprehensive Annual Financial Report (CAFR) of Clearfield City for the fiscal year ended June 30, 2005.

This report is formatted to comply with the Governmental Accounting Standards Board (GASB) Statement 34. Additionally, State law requires that all local governments publish a complete set of financial statements presented in conformity with Generally Accepted Accounting principals (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This CAFR is hereby issued and submitted to you for the fiscal year ended June 30, 2005, in accordance with these requirements.

The government-wide financial statements include a Statement of Net Assets that provide the total net assets of the City including all capital assets with the exception of infrastructure costs incurred prior to July 1, 2002 and the Statement of Activities that shows the cost of providing government services.

This report is published to provide the Clearfield City Council, staff, citizens, the State of Utah and other interested groups, including investors and creditors, and grantor agencies, with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with City Management.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Other Reports Section.

- 1) The Introductory Section contains a list of principal officials, this transmittal letter, and an organizational chart of the City.
- 2) The Financial Section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements and footnotes; the individual, combining and capital asset statements.
- 3) The Statistical Report Section presents financial and demographic information to assist the financial statements reader in obtaining an understanding of the City's financial status, trends and socioeconomic culture.
- 4) The Other Reports Section includes additional independent auditors reports, as required by Governmental Audit Standards, and by the State of Utah.

GENERAL INFORMATION

History and Background

Clearfield originally incorporated on July 17, 1922. The first elementary school opened in 1907. The North Davis Jr. High School was built and opened in September 2005, and in 1960, Clearfield High became the first high school in northern Davis County.

Bordering the east side of Clearfield City is Hill Air Force Base (HAFB). The Base was established in 1941 when World War II broke out. Less than a year later, Army and Navy engineers chose Clearfield as the site for the largest U.S. Naval Supply Depot. The Supply Depot was built in 1942, creating jobs that drew people from as far away as Idaho. In 1963 the Clearfield Naval Supply Depot became what is known as the Freeport Center.

After the military installations were established, Clearfield's population grew rapidly. Government sponsored housing projects developed. Roads, culinary water reservoirs, water and sewer lines, sidewalks, and curb and gutters were installed to meet the needs of the new citizens.

Clearfield is one of two sites in Utah where the Management Training Corporation is located. Also known as Clearfield Job Corp it was established in 1966 to provide training to "at risk" youth, to equip them with skills to enter the workforce and to prepare them to interact socially. It currently houses and provides training for young people from every state in the U.S. and over 20 countries.

Location and Transportation

Clearfield City is the third largest city in Davis County. The City encompasses 7.66 square miles and is approximately 91% developed. Located in Northern Utah, Clearfield is 38 miles north of Salt Lake City. Clearfield City is easily accessible by Interstate 15, which runs North and South through the City. The Salt Lake International Airport can be reached within 35 minutes and the Utah Transit Authority (UTA) provides daily mass transit service throughout the City and along the Wasatch Front.

ORGANIZATION

Clearfield is a City of the fourth class, (population between 10,000 and 30,000), operating under the Council-Manager form of government by ordinance. The legislative body is comprised of five council members and the Mayor, who establish policy and procedure for the administration, organization, operation, conduct and business of the City. They approve, adopt, and amend the budget. They are assisted by the City Manager who is appointed by the Mayor and approved by the City Council, and is responsible for implementing City policy and overseeing the day-to-day management of the City.

The Mayor and Council members are elected at large to serve four-year terms. Elections, which are held every two years, are staggered to help facilitate the continuity of the City Council.

The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria, no other governmental organizations are included in this report.

SERVICES

Public Safety:

- Police and Fire Protection
- Protective Inspection
- Emergency 911

Legislative and Administrative Services:

- Planning and Zoning
- Justice Court
- Budgeting, Accounting, Investments
- Human Resources
- Computer Information
- Records Management

Highways and Streets:

- **Street Improvements**
- **Equipment and Vehicle Maintenance**

Community Services:

- **Indoor/Outdoor Programs for Youth and Adults year round**
- **Amphitheater**
- **Parks, Bowery rentals for parties, reunions and picnics**
- **Tennis Courts, Basketball Courts, Softball and Baseball Fields**
- **Cemetery**
- **Community Swimming Pool and Aquatics Programs**

Major services provided under the Enterprise Fund include the Following:

Administrative Services:

- **Billing**
- **Collections**
- **Customer Service**
- **Meter Reading**

Water and Sewer:

- **Wells Maintenance**
- **Line Maintenance**
- **Line Upgrade and Installation**

Waste Collection:

- **Providing garbage cans**
- **Pick-up Service, contracted through Waste Management**

Ambulance Service:

- Paramedic Service
- Administering Aid
- Transport

ECONOMIC CONDITION AND OUTLOOK

The Utah Transit Authority is constructing a 44 mile commuter rail line between Salt Lake City and North Weber County in Northern Utah. Clearfield City was selected by the UTA to house a commuter rail hub station. It is anticipated that over 5,000 riders a day will use this system. Clearfield City is looking at various proposals on developing this project which will accommodate retail, housing and between 600 - 1,000 parking stalls.

Development has also continued at Legend Hills Business Park. Over 90,000 square feet of new office space has been added or is in the construction phase at the Legend Hills development which is located in the southeast area of the city.

MAJOR INITIATIVES

Parks and Recreation -

In June 2005, Clearfield City opened its new Aquatics Center. This new \$9,500,000, 53,000 square foot facility was funded in part from the 2003 Sales Tax Revenue Bond. This new Aquatic Center provides a six lane competition lap pool along with a play pool and a 30 foot high slide, a current channel and interactive water toy. There is also a hot tub. The facility also includes an aerobic / cardio workout center with state of the art equipment. This new facility will serve the citizens of Clearfield along with the neighboring communities.

Adjacent to the Clearfield Aquatic Center is Fisher Park. Fisher Park was completed in June 2005. The park has four baseball diamonds, two soccer fields, outdoor basketball courts, a playground, and a concession/restroom building. Construction also began on a new skateboard park which will be completed in November 2005. The City currently has 12 developed parks totaling 100 acres.

Phase I of the 20 acre Jesse D. Barlow Park was also completed. The first phase included infrastructure, a parking lot and two large multi-use play fields.

Public Works -

The City completed several Public Works projects during 2005. Work was completed on the well at Hill AFB. A new above ground motor replaced the submerged pump that was originally constructed in the 1980's. This project will provide extra water capacity to the City's water system.

Several Highway & Street projects relating the City's infrastructure were also completed. Water and sewer upgrades were finished in various locations.

**Finance &
Administration -**

In 2005 the City awarded a contract to replace the Financial and Human Resource software. Implementation began in March 2005. The Financial system went live in July 2005 with the Human Resource system going live in October 2005. The software is replacing a system that was installed in 1986.

FINANCIAL INFORMATION**Accounting System and Budgetary Control**

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. The City's accounting records for utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- (1) The safeguarding of assets against loss from unauthorized use or disposition; and
- (2) The reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that:
 - (a) the cost of a control should not exceed the benefits likely to be derived; and
 - (b) the evaluation of costs and benefits requires estimates and judgements by management.

I believe the City's internal controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

The City operates an integrated budgetary and accounting system, which incorporates the adoption of a formal legal budget. The City Council adopts the annual budget prepared by City Management. State statutes define the legal level of budgetary control at the department level. Expenditures should not exceed appropriations at that level. Financial reports are produced

showing budget and actual expenditures, and are distributed to each department head. If needed, the budget is reopened as required to consider necessary adjustments.

Cash Management

The Utah Money Management Act governs the investments of all public funds held by public treasurers in the state. It establishes criteria for the investment of public funds with an emphasis on safety, liquidity, yield, and matching the term of investments to the availability of funds.

Clearfield City is currently complying with all of the provisions of the Money Management Act for all City operating funds. All of the City's funds are invested in the Utah Public Treasurers Investment Fund.

Risk Management

Clearfield City is taking a very strong position in Risk Management. The City has established a Risk Management and Safety Committee. The City has also developed a Risk Management policy book. Clearfield City purchases insurance policies through a broker which has placed the coverage. Lines of coverage include property, inland marine, general liability, law enforcement liability, employment practices liability, automobile liability and physical damage, crime and umbrella liability with a limit coverage of \$10,000,000.

Like other governmental entities within the State of Utah, the City and its exposure to liability claims are governed under the Utah Governmental Immunity Act (Utah Code Ann. 63-30-1). This act helps regulate claims and damages against a governmental organization.

OTHER INFORMATION

Independent Audit

Section 10-6-150 of the Utah Code Unannotated, and section III.D.01 of the State of Utah Uniform Accounting Manual require third class cities to prepare an annual financial report, and that an annual audit be conducted by an independent certified public accountant. The City has contracted with Ulrich and Associates, P.C., Certified Public Accountants, and their independent auditor's report has been included in this report.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and City employees in the Business License, Public Works, Administration and Community Services Departments who were instrumental in the successful completion of this report.

I would like to thank the Mayor and members of the City Council for their interest and support in the financial operations of the City, for demonstrating fiscal responsibility, and for their striving to fulfill the duties and responsibilities of their respective offices.

Respectfully submitted,

Robert Wylie
Finance Director

Clearfield City Corporation

City Officials

For the Year Ended June 30, 2005

Executive Budgetary

Jack E Bippes
Lawrence Waggoner

City Manager
City Attorney/ Assistant City Manager

Statutory Appointed Officials

Nancy Dean
Steven Guy

City Recorder
City Treasurer

Department Heads

Robert Wylie
Scott Hodge
Tracy Heun
Roger Bodily
Jim Schilling

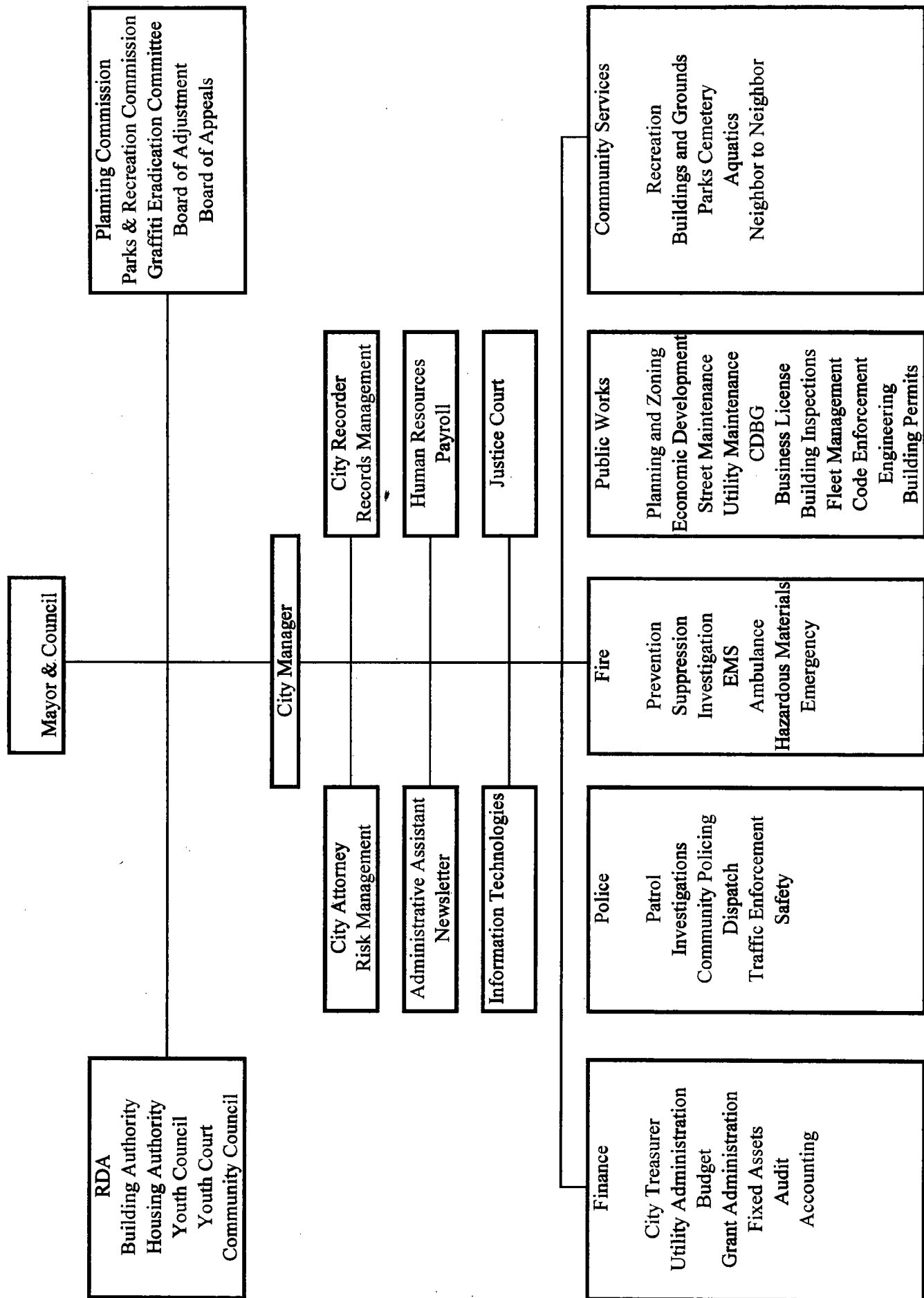
Finance Director
Public Works Director
Community Services Director
Fire Chief
Police Chief

Other City Officials

Craig Whitesides
Greg Krusi
Marsha Ashby
William Holthaus
O. Kay Chandler

Fire Marshal
Assistant Police Chief
Human Resource Manager
Assistant Public Works Director
Economic Development Director

Clearfield City, Utah



FINANCIAL SECTION

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Ulrich & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council

Clearfield City Corporation
Clearfield, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clearfield City Corporation as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clearfield City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clearfield City Corporation as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2005 on our consideration of Clearfield City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Members of Utah Association of CPAs / American Institute of CPAs

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clearfield City Corporation's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Clearfield City Corporation. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Whish & Associates, P.C.

November 17, 2005

Management's Discussion and Analysis

The independent auditors' opinion on basic financial statements preceding this section of the report specifically refers to the Basic Financial Statements that start on page 31. The management's discussion and analysis is not specifically audited. However this discussion is "required supplementary information" by the Governmental Accounting Standards Board and must be included in the report. This information is provided to help citizens and users of this report understand what happened financially during the past year, how it compared to prior years, and provide information on important things that will happen in the future.

Financial Highlights

- The total net assets of Clearfield City increased 11.7% to \$31,788,063. Governmental net assets increased by 10.7% while Business-type net assets increased by 12.8%.
- The total net assets of \$31,788,063 are made up of \$18,201,609 in capital assets net of related debt and \$13,586,454 in other net assets.
- Total long-term liabilities decreased by \$973,041 or 3.2%. In April 2005, Clearfield City refunded the callable portion of Series 1998 General Obligation Bonds of a principal amount of \$10,105,000.
- In the Governmental-type activities, revenues exceeded expenditures by \$1,541,477. In the Business-type activities, revenues exceeded expenditures by \$1,800,398.

Overview of Financial Statements

There are three components in Clearfield City's basic financial statements: 1st government-wide financial statements-pages 32 and 34, 2nd fund financial statements-pages 35 to 51 and 3rd notes to the financial statements-pages 53 through 77.

GASB 34 requires the addition of a government-wide financial statement presentation. The government-wide financial statements focus on *operational accountability*. Operation accountability is how efficiently and effectively the city uses resources to meet city objectives and provide city services. The government-wide financial reports also help measure the ability to continue to provide services for the foreseeable future by presenting net assets and using *full accrual accounting* instead of the *modified accrual accounting* historically used. The Statement of Net Assets and the Statement of Activities report city activities under two categories: governmental activities and business-type activities. Governmental activities are those principally supported by taxes and intergovernmental revenues. Business-type activities are those that recover all or a significant portion of their costs through user fees and charges.

The notes to financial statements are essential to understanding the details underlying the statements. The notes have more detailed information and explanations of government-wide and fund financial statements.

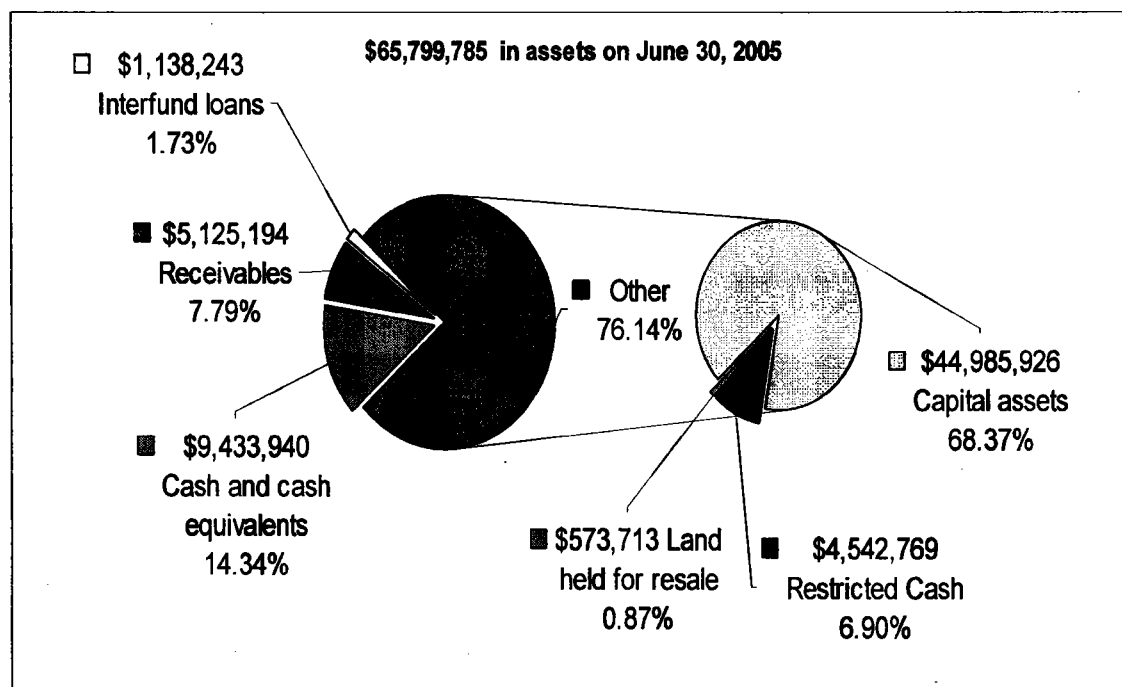
Government-wide financial statements: pages 32 to 34.

Clearfield City's Statement of Net Assets: page 32.

Clearfield City's Statement of Net Assets is reported as of June 30, 2005, which is the end of the fiscal year. This statement is a "picture" of the City's assets and liabilities on the last day of the fiscal year. On June 30, 2005 the City's assets exceeded liabilities by \$31,788,063. The statement shows that unrestricted assets are enough to cover the current liabilities of Clearfield City.

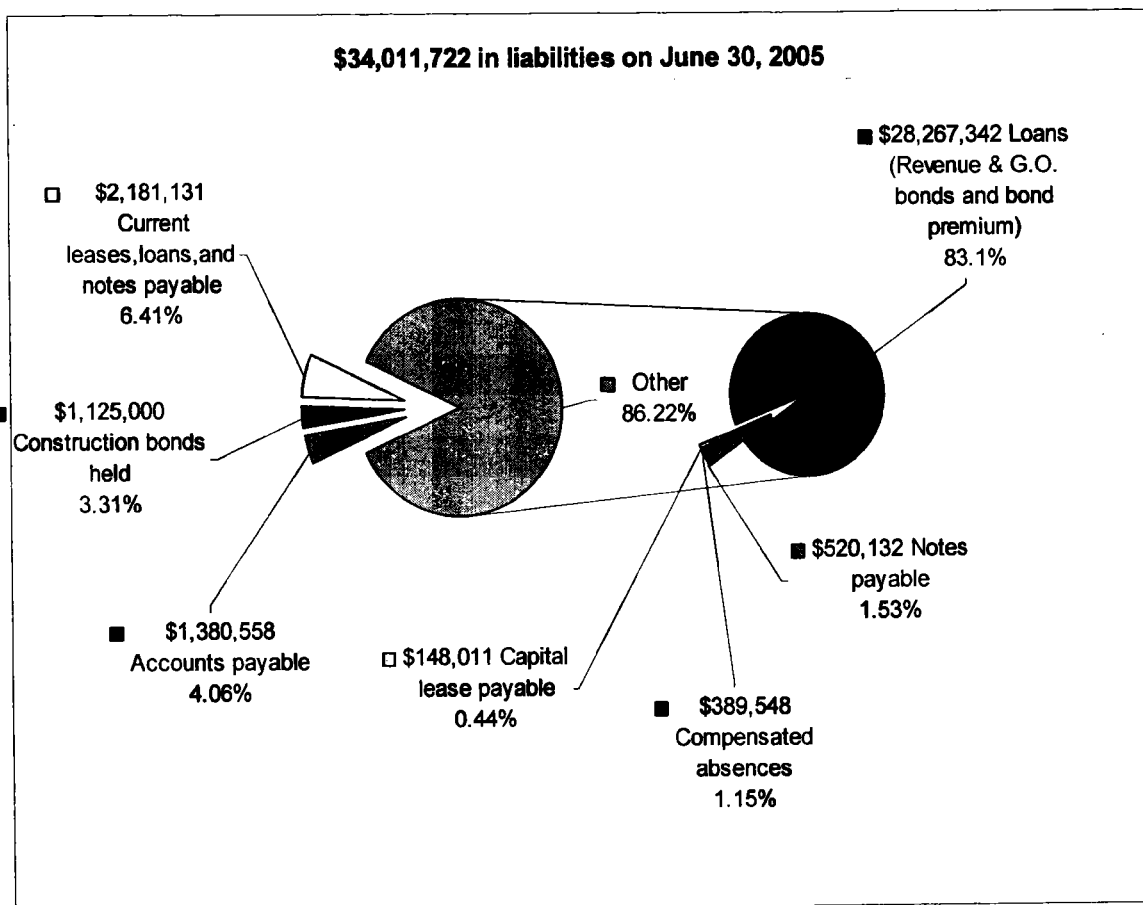
Clearfield City's assets on June 30, 2005 were \$65,799,785. Over three-fourths, (76%), of these assets are tied up in capital assets or are restricted as to what they can be used for.

Of the total assets about \$45 million is tied up in capital assets (i.e. land, buildings, streets, sewer systems, equipment, and projects being built). Please note that the capital assets are "net of accumulated depreciation". This means the values are an indication of the age of the assets. An older asset will have more depreciation subtracted from the original cost of the asset and will have a smaller value. For the Governmental activities, accumulated depreciation is approximately \$8.9 million dollars or 19% of the purchase price. For the Business-type activities, accumulated depreciation is approximately \$6.69 million dollars but is 44% of the purchase price. This indicates that the assets associated with the business-type activities (water, sewer, and storm sewer systems) are older. More information on depreciation is available in the Notes to the Financial Statements. Schedules of general fixed assets are on pages 88 to 90.



Clearfield City's liabilities on June 30, 2005 were \$34,011,722. Non-current liabilities are 86.22% and current liabilities are 13.78% of the total liabilities. The 13.78% is around \$4.7 million and represents what the City will need to pay out in the coming year. This includes debt payments that are due in the coming year. The 86.22% of non-current liabilities is about \$29.3 million, with \$28.2 million in revenue & general obligation bond debt (principal only), \$668 thousand in Capital Lease and Notes payable, and \$389 thousand for compensated absences. The City owes \$14,285,000 on the sales tax revenue bonds issued in 2003, and \$2,207,000 on the 1996 and 2000 Redevelopment revenue bonds and \$544,000 for other revenue bonds.

For more detailed information see Clearfield City's Notes to Financial Statements.



Current Liabilities

Leases, loans, notes payable	6.41%
Construction bonds	3.20%
Accounts payable	4.06%
	13.78%

Non-current Liabilities

Loans- Bonds	83.01%
Notes payable	1.53%
Capital leases payable	.44%
Compensated absences	1.15%
	86.22%

The net assets section of the Statement of Net Assets is the difference between the City's assets and liabilities. The net assets are classified as invested in capital assets net of related debt; restricted for capital projects net of related debt, restricted for debt and unrestricted.

Clearfield City's Statement of Activities: page 34.

The Statement of Activities presents normal programs and functions that the City continually provides year after year. The statement is for the year ended June 30, 2005 and covers the time period of July 1, 2004 to June 30, 2005. It shows how much revenue the City generated during the year and the expenses for the same period. The presentation shows governmental programs and business-type activities. Governmental activities presented include General Government, Public Safety, Highways and Public Works, Community Services (Parks and Recreation), Community Development and interest on long-term debt. Business-type activities include all utility services provided by the City. Namely water, sewer, waste collection (garbage), and storm drain. The ambulance service is the other business-type activity operated by Clearfield.

General government activities summary

Government activities are services provided. The charges, grants, and contributions for services are collectively labeled program revenues. Typically program revenues do not cover the cost of providing the services. On the Total primary government line in the Governmental Activities column of the Statement of Activities the \$8,489,661 in parenthesis represents the cost of services that were not covered with program revenues. The general revenues and fees of \$10,031,138 collected by Clearfield City for governmental activities was enough to offset the \$8,489,661 cost of services not covered with program revenues, the excess of \$1,541,477 increases the net assets to \$15,948,266.

The Statement of Activities is a useful report for seeing how property tax, sales tax, other taxes and interest earned were spent. For example, total expenses for Public Safety (police, dispatch, fire), is \$4,788,486. The revenues or charges for services related to Public Safety totals \$1,470,906 and with another \$77,572 in operating grants and contributions. The \$3,240,008 in parenthesis on the public safety line represents how much of the total expenses are covered with general revenue. Since this is 68% of the program expense, program revenues covered 32% of program expenses.

The programs supported by general fund revenues (in order of how much they depend on general revenues to survive, with percentage of funding coming from general fund revenues, and percentage of general fund revenues) are:

			<u>% of program funded with General revenues</u>	<u>% of General revenues</u>
1 st	Public Safety	\$3,240,008	68%	32%
2 nd	General Government	\$2,713,961	66%	27%
3 rd	Interest on Debt	\$1,345,325	100%	13%
4 th	Community Services	\$ 801,330	44%	8%

In Highway and Public Improvements the revenues exceeded expenses by \$323,252. Community Development expenses exceeded revenues by \$296,609. In FY2005, there was a one time \$375,000 payback to HUD related to a CDBG project that has been postponed. Factoring out this expense, Community development revenues exceeded expenditures by \$78,393.

Business-type activities summary

The Statement of Activities also presents as Clearfield's business-type activities water, sewer, garbage, and storm sewer utilities. The Clearfield City ambulance service is also included as a business-type activity.

The Business-type activities run by Clearfield City generated net revenue of \$1,456,789 during the year. This revenue can be used to help replace the aging water and sewer systems. When interest and miscellaneous revenue is included, net assets increased \$1,800,398 to \$15,839,797.

The change in net assets is a useful indicator of the City's financial position, especially if several years are available for comparison. This is the third year Clearfield City has presented this statement. Over a three year period, the net assets have increased by \$4,800,128 for the business type activities.

The total net change in assets for both Governmental-type activities and business type activities increased by over \$10.5 million for the three years. This indicates the City's revenues are sufficient to fund ongoing programs and functions.

The following two charts compares FY2004 and FY2005 of the Changes in Net Assets and a comparison of Net Assets.

Comparison of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues:				
Program revenues:				
Charges for Services	\$ 3,401,799	\$ 3,965,327	\$ 6,688,306	\$ 6,695,474
Operating grants & contributions	\$ 1,346,026	\$ 1,439,909	\$ -	\$ -
General revenues:				
Property Taxes	\$ 3,902,388	\$ 4,489,184		
General Sales and Use Tax	\$ 2,800,536	\$ 2,745,620		
Other Taxes	\$ 2,240,792	\$ 2,643,995		
Investment Income	\$ 294,630	\$ 307,660	\$ 63,587	\$ 176,429
Other Revenue (includes transfers)	\$ (1,191,786)	\$ (155,321)	\$ 1,236,824	\$ 167,180
Total Revenues	\$ 12,794,385	\$ 15,436,374	\$ 7,988,717	\$ 7,039,083
Expenses:				
General Government	\$ 3,777,907	\$ 4,099,536		
Public Safety	\$ 4,310,959	\$ 4,788,486		
Highway & Streets	\$ 720,798	\$ 829,769		
Community Services	\$ 1,490,829	\$ 1,801,677		
Other	\$ 1,709,526	\$ 2,375,429		
Utilities / Ambulance	\$ -	\$ -	\$ 4,708,315	\$ 5,238,685
Total Expenses	\$ 12,010,019	\$ 13,894,897	\$ 4,708,315	\$ 5,238,685
Increase (Decrease) in Net Assets	\$ 784,366	\$ 1,541,477	\$ 3,280,402	\$ 1,800,398
Net assets, beginning of year	\$ 13,622,423	\$ 14,406,789	\$ 10,758,997	\$ 14,039,399
Net assets, ending of year	\$ 14,406,789	\$ 15,948,266	\$ 14,039,399	\$ 15,839,797

Comparison of Changes of Net Assets

Fiscal Year Comparison of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and Other Assets	\$ 8,253,611	\$ 7,889,361	\$ 7,156,264	\$ 7,808,016
Capital Assets	\$ 40,723,848	\$ 41,565,822	\$ 7,520,060	\$ 8,536,586
Total Assets	\$ 48,977,459	\$ 49,455,183	\$ 14,676,324	\$ 16,344,602
Other Liabilities	\$ 4,409,020	\$ 4,221,195	\$ 561,578	\$ 504,805
Long Term debt outstanding	\$ 30,161,650	\$ 29,285,722	\$ 75,347	\$ -
Total Liabilities	\$ 34,570,670	\$ 33,506,917	\$ 636,925	\$ 504,805
Net Assets:				
Invested in Capital assets, net of debt	\$ 8,078,750	\$ 9,878,324	\$ 7,266,728	\$ 8,323,285
Restricted	\$ 632,850	\$ 573,713	\$ 108,398	\$ 98,497
Unrestricted	\$ 5,695,189	\$ 5,496,229	\$ 6,664,273	\$ 7,418,015
Total Net Assets	\$ 14,406,789	\$ 15,948,266	\$ 14,039,399	\$ 15,839,797

Fund financial statements: pages 35 to 51.

Clearfield City records transactions in different funds. The funds are a grouping of related accounts that are used to maintain control over resources that are segregated for specific activities or objectives. Fund financial statements provide information on near-term inflows, outflows, and fund balances. Fund statements are budget oriented and focus on *what has happened during the fiscal year*. For example, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances show how the fund balances changed from the beginning of the year to the end of the year.

Clearfield City, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

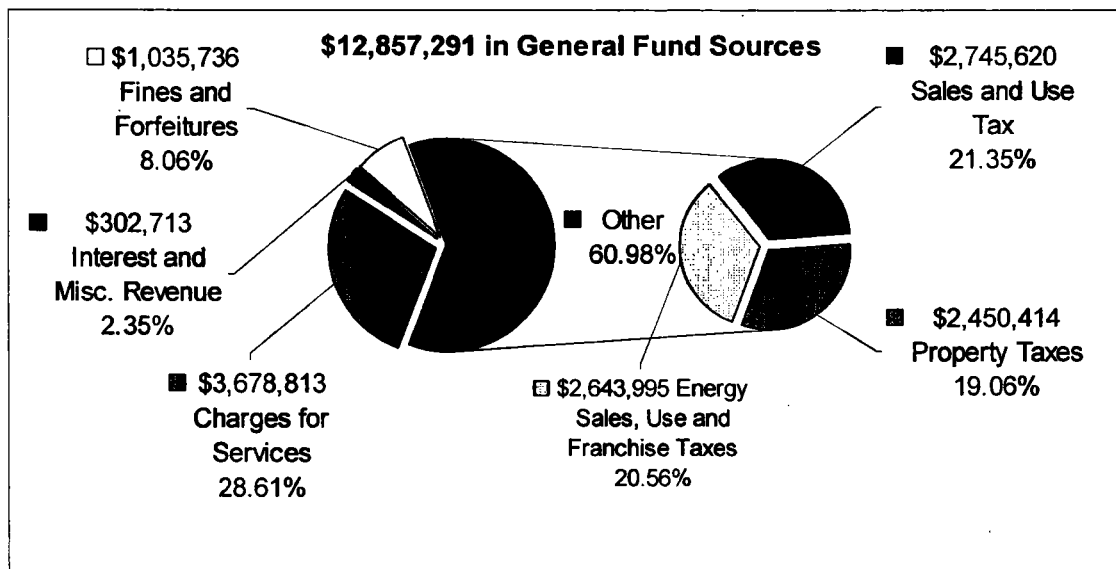
General Government funds summary

The General Government funds reported by the City are the General Fund, the Redevelopment Agency Fund, the Facilities Development Fund, the Capital Project Fund and Other Governmental Funds.

General Fund: pages 41 to 46.

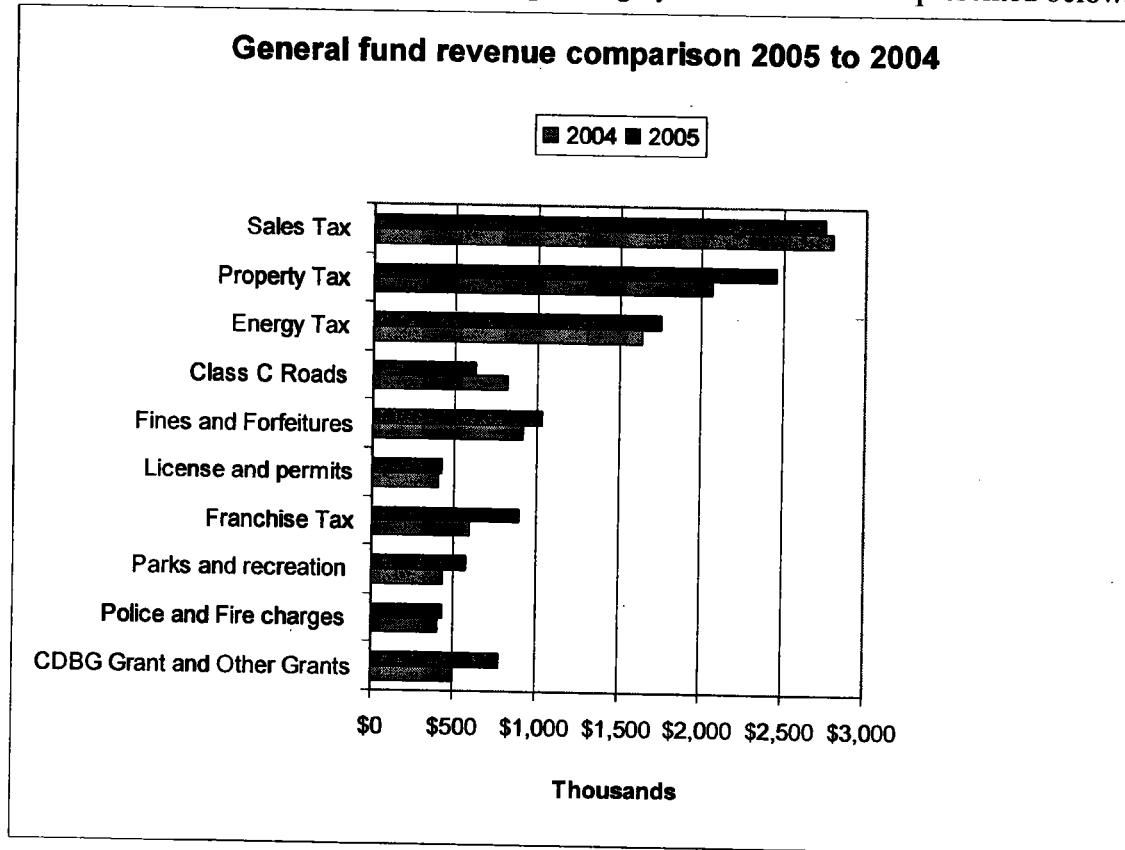
During the year \$12,857,291 came into the General Fund before Other financing sources.

General Fund Sources:



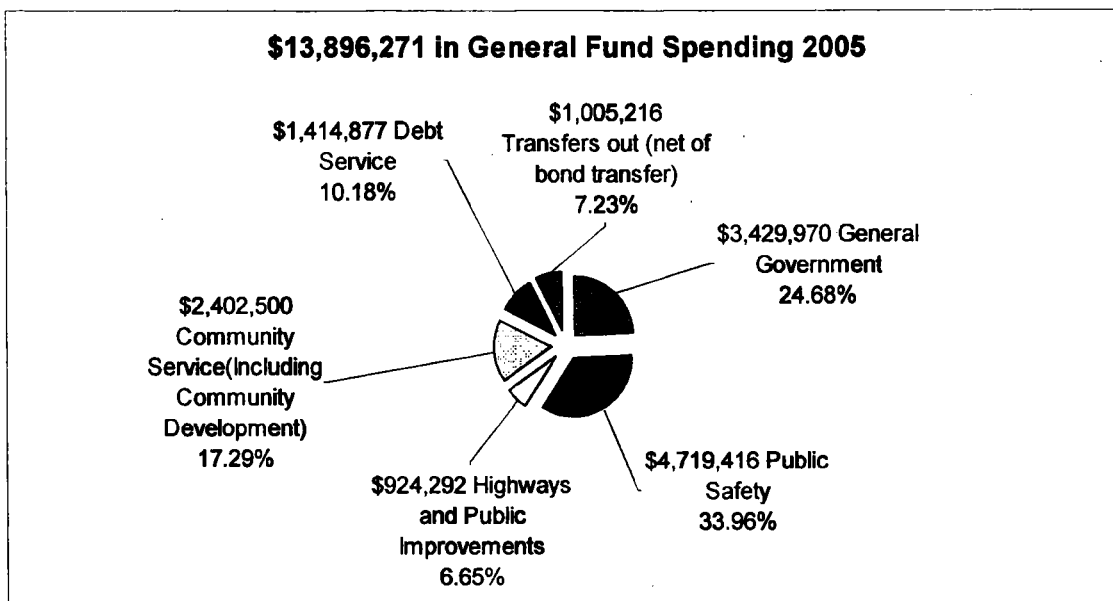
The next chart compares the normal general fund revenue for 2004 and 2005. Overall general fund revenues increased by \$1,351,623 or 11.7%. Property tax increased \$384,624 or 18.6%, CDBG and other grant money increased \$282,595 or 56.2%, Fines and Forfeitures increased \$122,562 or 13.4%, and Energy Tax increased \$165,633 or 11.2%. Two classifications of General Fund Sources decreased from FY2004 to FY2005. Sales tax dropped \$54,916 or 2%, and Class "C" road money dropped \$189,303 or 23.1%.

Percentage and amount of general fund spending by broad functions is presented below.

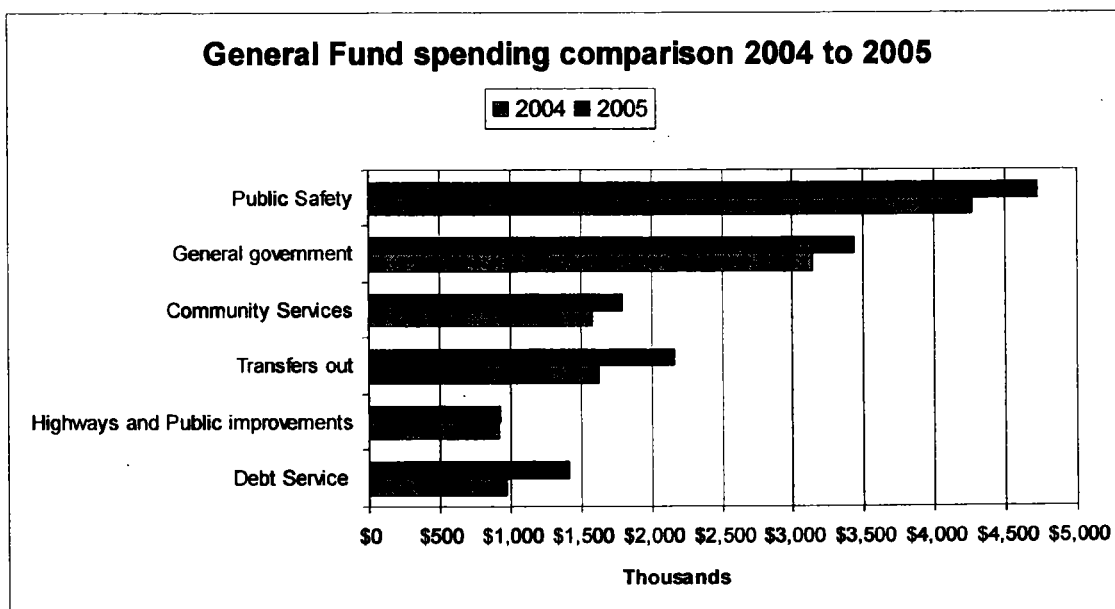


General Fund Spending:

General Fund expenditures net of other financial sources (transfers in or out) increased by \$2,010,660 or 18.5%. 11.8% of the increase in expenditures was related to debt service. Debt Service increased by \$236,822 or 46.2%. This increase was due to the refunding of the 1998 General Obligation bonds that was completed in April 2005. Public Safety increased \$448,902 or 10.5%, General Government increased \$284,816 or 9.1%.



The next chart compares general fund spending for 2004 and 2005 by governmental activity.



Redevelopment Agency Fund: page 47.

The Clearfield City redevelopment property tax increment revenue increased \$129,904 or 10.5% in 2005. Total revenue of \$1,363,154 was generated in 2005. Redevelopment Agency revenue includes property tax increment monies, rent from RDA owned properties, and interest.

The Clearfield Redevelopment agency's balance sheet reflects an interfund loan payable of \$1,125,000. This loan is due to the Proprietary fund. The largest asset is land held for resale and most of this land is collateral for the debt the redevelopment agency has incurred.

The total fund balance for the Redevelopment Fund increased \$360,822 to end the year at \$702,776.

Facilities Development Fund: page 79.

Impact fee revenues collected in 2005 totaled \$523,148. These fees decreased \$23,167 or 4.2% from 2004. Building permits decreased by 63 or 16.9%. A total of \$1,099,178 was transferred out of the facilities development fund for impact fee related construction projects. \$570,000 on water projects, \$350,000 for park projects and \$188,000 on storm sewer projects.

Capital Projects Fund: page 80.

The Capital Projects Fund began the fiscal year with a fund balance of \$7,076,806. During the year, \$7,140,000 was transferred out or spent related to capital projects. The expenses related to capital projects in fiscal year 2005 were for \$5,749,000 on the Aquatics Center, \$198,000 on Highway and Streets projects and \$792,000 for Parks and \$164,000 on the new financial software program.

Proprietary Funds Summary: pages 48 to 50.

Proprietary funds include the water, sewer, waste collection, and storm drain departments. The ambulance service fund is also reported as a proprietary fund. All of the City's business type activities are making a profit.

Proprietary funds are the same as the business-type activities in the government-wide financial statements. The Business-type Activities column on the Statement of Net Assets has the same total assets, total liabilities, and total net assets as the total column on the Statement of Net Assets Proprietary Fund statement. Because government fund accounting has always included depreciation in the old enterprise fund accounts (now called Proprietary funds) the transition to the new reporting model is easier with Proprietary funds.

The statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds statement in part corresponds to the business-type activities on the Statement of Activities. They both show operating income of \$1,456,789 for the activities as follows:

Water Utility	\$572,531
Sewer Utility	\$338,909
Waste Collection	\$288,187
Storm Drain	\$276,353
Ambulance Service	<u>\$(19,191)</u>
Total Operating income	\$1,456,789

Notes to Financial Statements: pages 53 to 77

The notes to the financial statement presents important details and schedules explaining Clearfield City's significant accounting policies, reconciliation of the government-wide statement to the fund financial statements, stewardship, compliance, accountability and detailed notes on all funds.

Funds not presented earlier are classified as nonmajor governmental funds and these are presented on pages 81 to 86. Clearfield City has the following nonmajor funds:

Municipal Building Authority
G.O. Bond Fund
Park Capital Project Fund
The Cemetery Perpetual Care Permanent Fund

The Combining Balance Sheet Nonmajor Governmental Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds are presented on pages 81 and 82. Budget and actual comparisons for the nonmajor funds are presented on pages 83 to 86. Budget and actual comparisons for major capital project funds are presented on page 80.

Requests for information:

It is granted that in a city the size of Clearfield the accounting for over \$65 million in assets and over \$22 million of annual revenues and other financing sources for 2005 is bound to be a complex undertaking. The new GASB 34 reporting model is the government accounting industry's effort to bring to light the most relevant issues that are reported to citizens, elected officials, and city government employees.

The City's various departments will be happy to answer any additional questions which you may have as you review this report. In particular the Finance Director can be reached at (801) 525-2720 and the City Treasurer can be reached at (801) 525-2721 Monday through Friday from 8 A.M to 5 P.M.

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BASIC FINANCIAL STATEMENTS

Clearfield City Corporation
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 3,933,846	5,500,094	9,433,940
Accounts receivable - net	-	901,549	901,549
Property, sales, & franchise taxes receivable	2,681,580	-	2,681,580
Other receivables	892,620	-	892,620
Prepaid expenses	759	269,253	270,012
Due from other governmental units	379,433	-	379,433
Due from other funds	1,123	12,120	13,243
Interfund loans	-	1,125,000	1,125,000
Capital assets (net of accumulated depreciation):			
Land	3,305,990	-	3,305,990
Water rights & easements	25,200	9,162	34,362
Buildings	10,811,588	92,637	10,904,225
Improvements	3,166,406	690,995	3,857,401
Equipment	2,524,614	1,212,937	3,737,551
Infrastructure	4,347,023	5,409,596	9,756,619
Construction in process	12,367,016	1,022,762	13,389,778
Restricted cash	4,444,272	98,497	4,542,769
Restricted land held for sale	573,713	-	573,713
Total assets	<u>49,455,183</u>	<u>16,344,602</u>	<u>65,799,785</u>

The accompanying notes to the financial statements are an integral part of this statement.

Clearfield City Corporation
Statement of Net Assets - Continued
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	932,538	448,020	1,380,558
Interfund loans	1,125,000	-	1,125,000
Due to other funds	12,120	1,438	13,558
Accrued interest payable	490,183	-	490,183
Capital lease payable - current	81,732	55,347	137,079
General obligation bonds payable - current	655,000	-	655,000
Revenue bonds payable - current	846,000	-	846,000
Notes payable - current	39,311	-	39,311
Bond premium - net	327,342	-	327,342
Capital lease payable - noncurrent	148,011	-	148,011
General obligation bonds payable - noncurrent	11,750,000	-	11,750,000
Revenue bonds payable - noncurrent	16,190,000	-	16,190,000
Notes payable - noncurrent	520,132	-	520,132
Compensated absences	389,548	-	389,548
Total liabilities	<u>33,506,917</u>	<u>504,805</u>	<u>34,011,722</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	9,878,324	8,323,285	18,201,609
Restricted for debt	-	98,497	98,497
Restricted for capital projects	573,713	-	573,713
Unrestricted	<u>5,496,229</u>	<u>7,418,015</u>	<u>12,914,244</u>
Total net assets	<u>\$ 15,948,266</u>	<u>15,839,797</u>	<u>31,788,063</u>

The accompanying notes to the financial statements are an integral part of this statement.

Clearfield City Corporation

Statement of Activities

For the Year Ended June 30, 2005

Function/Programs	Net (Expenses) Revenues & Changes in Net Assets				
	Program Revenues		Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government:					
Governmental activities:					
General government	Expenses				Total
Public safety	\$ 4,099,536	-	-	(2,713,961)	(2,713,961)
Highways and public improvements	4,788,486	77,572	-	(3,240,008)	(3,240,008)
Debt Service	829,769	629,873	-	323,252	323,252
Community services	414,182	-	-	(414,182)	(414,182)
Community development	1,801,677	414,649	-	(801,330)	(801,330)
Interest on long-term debt	614,422	317,815	-	(296,607)	(296,607)
	1,346,825	-	-	(1,346,825)	(1,346,825)
Total governmental activities	13,894,897	1,439,909	-	(8,489,661)	(8,489,661)
Business-type activities:					
Water utility	1,906,579	-	-	-	565,396
Sewer utility	1,500,568	-	-	-	338,909
Waste collection	1,144,860	-	-	-	295,322
Storm drain	174,667	-	-	-	276,353
Ambulance service	512,011	-	-	-	(19,191)
Total business-type activities	5,238,685	-	-	-	1,456,789
Total primary government	\$ 19,133,582	1,439,909	-	(8,489,661)	(7,032,872)
General revenues:					
Property taxes				4,489,184	4,489,184
General sales and use tax				2,745,620	2,745,620
Franchise tax				891,121	891,121
Energy use tax				1,752,874	1,752,874
Interest earnings				307,660	176,429
Miscellaneous				(149)	12,008
Transfers				(155,172)	155,172
Total general revenues				10,031,138	10,374,747
Change in net assets				1,541,477	1,800,398
Net assets - beginning				14,406,789	14,039,399
Net assets - ending				\$ 15,948,266	\$ 15,839,797
					31,788,063

The accompanying notes to the financial statements are an integral part of this statement.

Clearfield City Corporation

Balance Sheet -

Governmental Funds

For the Year Ended June 30, 2005

	General Fund	Special Revenue		Capital Projects		Other Governmental Funds	Total Governmental Funds
		Redevelopment Agency	Facilities Development	Capital Projects			
Assets							
Cash and cash equivalents	\$ (2,542,137)	841,976	3,706,499	1,784,762	142,746		3,933,846
Property, sales, and franchise taxes receivable	2,681,580	-	-	-	-		2,681,580
Accounts receivable	188,372	121,126	-	-	583,122		892,620
Due from other governments	379,433	-	-	-	-		379,433
Prepaid expense	759	-	-	-	-		759
Due from other funds	7,486	2,798	166,740	921	258		178,203
Restricted cash	3,981,382	462,890	-	-	-		4,444,272
Restricted land held for sale	-	573,713	-	-	-		573,713
Total assets	4,696,875	2,002,503	3,873,239	1,785,683	726,126		13,084,426
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	196,366	-	13,567	334,556	-		544,489
Accrued liabilities	388,049	-	-	-	-		388,049
Interfund loans payable	-	1,125,000	-	-	-		1,125,000
Due to other funds	3,399	174,727	80	10,973	21		189,200
Deferred revenue	2,175,214	-	-	-	583,081		2,758,295
Total liabilities	2,763,028	1,299,727	13,647	345,529	583,102		5,005,033
Fund Balances:							
General fund	1,933,847	-	-	-	-		1,933,847
Special revenue funds	-	702,776	-	-	9		702,785
Debt service funds	-	-	-	-	15,613		15,613
Capital projects funds	-	-	3,859,592	1,440,154	19,408		5,319,154
Cemetery perpetual care	-	-	-	-	107,994		107,994
Total fund balances	1,933,847	702,776	3,859,592	1,440,154	143,024		8,079,393
Total liabilities and fund balances	\$ 4,696,875	2,002,503	3,873,239	1,785,683	726,126		13,084,426

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2005

Total fund balances - governmental fund types: \$ 8,079,393

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds. 36,547,837

Long-term assets not available to pay for current period expenditures, and, therefore, are deferred in the funds. 2,758,295

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Also issuance costs, premiums, and discounts are not currently expensed but amortized over the life of the loan. (31,437,259)

Net assets of governmental activities \$ 15,948,266

The accompanying notes are an integral part of the financial statements.

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Clearfield City Corporation

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2005

	General Fund	Special Revenue Redevelopment Agency	Capital Projects Facilities Development	Capital Projects Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 7,840,029	1,320,874	-	-	593,160	9,754,063
Rents & other services	790,298	29,537	-	-	-	819,835
Intergovernmental	1,439,909	-	-	-	5,300	1,445,209
Charges for services	1,448,606	-	-	-	-	1,448,606
Impact fees	-	-	523,148	-	-	523,148
Fines and forfeitures	1,035,736	-	-	-	-	1,035,736
Interest	164,711	12,743	106,542	-	3,307	287,303
Miscellaneous revenue	138,002	-	-	-	-	138,002
Total revenues	12,857,291	1,363,154	629,690	-	601,767	15,451,902
Expenditures:						
Current:						
General government	3,429,970	111,660	-	-	172,834	3,714,464
Public safety	4,719,416	-	-	-	-	4,719,416
Highways and public works	924,292	-	-	-	-	924,292
Community services	1,788,078	-	-	-	-	1,788,078
Community development	614,422	-	-	-	-	614,422
Capital outlay	-	-	-	7,191,765	-	7,191,765
Debt service:						
Principal retirement	754,930	383,991	-	-	508,088	1,647,009
Interest and fiscal charges	659,947	182,928	-	-	653,251	1,496,126
Total expenditures	12,891,055	678,579	-	7,191,765	1,334,173	22,095,572
Excess (deficiency) revenues over (under) expenditures	(33,764)	684,575	629,690	(7,191,765)	(732,406)	(6,643,670)

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Continued
For the Year Ended June 30, 2005

	General Fund	Special Revenue		Capital Projects		Other Governmental Funds	Total Governmental Funds
		Redevelopment Agency	Facilities Development	Capital Projects			
<u>Other Financing Sources (Uses):</u>							
Proceeds of refunding bonds	-	1,399,000	-	-	10,391,622	11,790,622	
Payment to refunding bonds escrows	-	(1,187,000)	-	-	(10,355,000)	(11,542,000)	
Proceeds from sale of fixed assets	5,310	-	-	-	-	5,310	
Transfers in	535,753	-	272,209	1,555,113	692,964	3,056,039	
Transfers (out)	(1,546,279)	(535,753)	(1,099,178)	-	(30,000)	(3,211,210)	
Total other financing sources and uses	(1,005,216)	(323,753)	(826,969)	1,555,113	699,586	98,761	
Excess of revenues and other sources over (under) expenditures and other uses	(1,038,980)	360,822	(197,279)	(5,636,652)	(32,820)	(6,544,909)	
Fund balances - beginning of year, as adjusted	2,972,827	341,954	4,056,871	7,076,806	175,844	14,624,302	
Fund balances - end of year	\$ 1,933,847	702,776	3,859,592	1,440,154	143,024	8,079,393	

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds.	\$ (6,544,909)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	6,833,850
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	124,736
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	968,937
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>158,863</u>
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Change in net assets of governmental activities	<u><u>\$ 1,541,477</u></u>
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The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>				
Taxes:				
General property taxes	\$ 2,439,305	2,439,305	2,450,414	11,109
General sales and use taxes	2,614,697	2,714,697	2,745,620	30,923
Franchise taxes	640,932	805,932	891,121	85,189
Energy sales and use tax	1,541,179	1,781,179	1,752,874	(28,305)
	<u>7,236,113</u>	<u>7,741,113</u>	<u>7,840,029</u>	<u>98,916</u>
Intergovernmental:				
Class "C" road allotment	820,000	670,000	629,873	(40,127)
State liquor allotment	24,000	24,000	24,279	279
Other grants	62,100	349,789	467,942	118,153
CDBG grant	279,000	279,000	317,815	38,815
	<u>1,185,100</u>	<u>1,322,789</u>	<u>1,439,909</u>	<u>117,120</u>
Charges for services:				
Special police and fire services	411,010	417,010	435,170	18,160
Licenses and permits	567,810	492,066	427,738	(64,328)
Parks and recreation	488,930	488,930	576,128	87,198
Cemetery lots and services	10,000	10,000	9,570	(430)
	<u>1,477,750</u>	<u>1,408,006</u>	<u>1,448,606</u>	<u>40,600</u>
Fines and forfeitures	<u>979,075</u>	<u>979,075</u>	<u>1,035,736</u>	<u>56,661</u>
Interest	<u>36,000</u>	<u>136,000</u>	<u>164,711</u>	<u>28,711</u>
Miscellaneous	<u>9,500</u>	<u>100,512</u>	<u>138,002</u>	<u>37,490</u>
Rents & other services	<u>804,877</u>	<u>756,377</u>	<u>790,298</u>	<u>33,921</u>
<u>Other Financing Sources</u>				
Contributions and loans from other funds	1,570,142	960,000	-	(960,000)
Proceeds from sale of fixed assets	71,000	71,000	5,310	(65,690)
Transfers in	<u>535,753</u>	<u>535,753</u>	<u>535,753</u>	<u>-</u>
Total other financing sources	<u>2,176,895</u>	<u>1,566,753</u>	<u>541,063</u>	<u>(1,025,690)</u>
Total revenues and other financing sources	<u>\$ 13,905,310</u>	<u>14,010,625</u>	<u>13,398,354</u>	<u>(612,271)</u>

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund - Continued
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance-
	Original	Final	Amounts	Positive (Negative)
<u>Expenditures</u>				
<u>General government</u>				
Legislative:				
Salaries and wages	\$ 56,156	56,156	53,485	2,671
Employee benefits	38,154	38,154	36,544	1,610
Council & Mayor	54,000	54,000	58,361	(4,361)
Materials, supplies, and services	63,784	63,784	40,260	23,524
	212,094	212,094	188,650	23,444
Justice court:				
Salaries and wages	150,711	150,711	151,140	(429)
Employee benefits	37,769	37,769	33,657	4,112
Materials, supplies, and services	94,375	94,375	92,265	2,110
	282,855	282,855	277,062	5,793
Buildings & grounds				
Salaries and wages	68,845	68,845	62,792	6,053
Employee benefits	24,191	24,191	18,813	5,378
Materials, supplies, and services	226,317	226,317	212,893	13,424
Capital outlay	9,771	9,771	6,763	3,008
	329,124	329,124	301,261	27,863
Treasury:				
Salaries and wages	238,282	238,282	235,118	3,164
Employee benefits	78,164	78,164	75,575	2,589
Materials, supplies, and services	453,124	453,124	394,537	58,587
	769,570	769,570	705,230	64,340
Executive:				
Salaries and wages	378,603	378,603	369,095	9,508
Employee benefits	101,634	101,634	98,233	3,401
Materials, supplies, and services	156,621	166,621	114,977	51,644
	636,858	646,858	582,305	64,553

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund - Continued
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
<u>Expenditures</u>				<u>(Negative)</u>
Administrative:				
Salaries and wages	103,128	112,128	116,199	(4,071)
Employee benefits	32,644	32,644	30,090	2,554
Materials, supplies, and services	56,500	56,500	53,751	2,749
Capital outlay	14,000	14,000	10,283	3,717
	<u>206,272</u>	<u>215,272</u>	<u>210,323</u>	<u>4,949</u>
Information technology:				
Salaries and wages	62,053	62,053	67,145	(5,092)
Employee benefits	20,124	20,124	22,027	(1,903)
Materials, supplies, and services	274,495	274,495	207,202	67,293
Capital outlay	158,900	245,615	205,462	40,153
	<u>515,572</u>	<u>602,287</u>	<u>501,836</u>	<u>100,451</u>
Utilities and maintenance:				
Utilities	312,716	312,716	341,312	(28,596)
Vehicle maintenance	106,250	106,250	84,962	21,288
Fuel	150,000	150,000	98,900	51,100
Postage	12,888	12,888	13,258	(370)
Communications	170,440	170,440	124,636	45,804
	<u>752,294</u>	<u>752,294</u>	<u>663,068</u>	<u>89,226</u>
Elections:				
Materials, supplies, and services	6,400	6,400	235	6,165
	<u>6,400</u>	<u>6,400</u>	<u>235</u>	<u>6,165</u>
Total general government	<u>3,711,039</u>	<u>3,816,754</u>	<u>3,429,970</u>	<u>386,784</u>
<u>Public safety</u>				
Police:				
Salaries and wages	2,053,602	2,059,470	1,997,652	61,818
Employee benefits	782,301	782,301	732,754	49,547
Materials, supplies, and services	329,598	337,558	301,104	36,454
	<u>3,165,501</u>	<u>3,179,329</u>	<u>3,031,510</u>	<u>147,819</u>

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund - Continued
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u> <u>(Negative)</u>
<u>Expenditures</u>				
Fire department:				
Salaries and wages	900,763	900,763	805,386	95,377
Employee benefits	270,916	270,916	289,363	(18,447)
Materials, supplies, and services	222,481	240,981	195,284	45,697
	<u>1,394,160</u>	<u>1,412,660</u>	<u>1,290,033</u>	<u>122,627</u>
Inspection department:				
Salaries and wages	161,109	161,109	161,432	(323)
Employee benefits	59,140	59,140	63,428	(4,288)
Materials, supplies, and services	53,600	53,600	45,912	7,688
	<u>273,849</u>	<u>273,849</u>	<u>270,772</u>	<u>3,077</u>
Planning and zoning:				
Salaries and wages	93,428	93,428	92,110	1,318
Employee benefits	35,574	35,574	28,049	7,525
Materials, supplies, and services	8,800	8,800	6,942	1,858
	<u>137,802</u>	<u>137,802</u>	<u>127,101</u>	<u>10,701</u>
Total public safety	<u>4,971,312</u>	<u>5,003,640</u>	<u>4,719,416</u>	<u>284,224</u>
<u>Highways and public improvements</u>				
Streets and highways:				
Salaries and wages	75,552	180,152	188,455	(8,303)
Employee benefits	16,482	16,482	29,079	(12,597)
Materials, supplies, and services	262,050	271,950	128,768	143,182
	<u>354,084</u>	<u>468,584</u>	<u>346,302</u>	<u>122,282</u>
Shops:				
Salaries and wages	190,813	215,813	211,618	4,195
Employee benefits	62,512	62,512	68,987	(6,475)
Materials, supplies, and services	35,750	40,681	29,008	11,673
Capital outlay	280,500	303,500	268,377	35,123
	<u>569,575</u>	<u>622,506</u>	<u>577,990</u>	<u>44,516</u>
Total highways and public improvements	<u>923,659</u>	<u>1,091,090</u>	<u>924,292</u>	<u>166,798</u>

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund - Continued
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
<u>Expenditures</u>				
<u>Community services</u>				
Swimming pool:				
Salaries and wages	220,437	248,798	239,611	9,187
Employee benefits	48,487	48,487	50,654	(2,167)
Materials, supplies, and services	86,297	86,297	62,345	23,952
	<u>355,221</u>	<u>383,582</u>	<u>352,610</u>	<u>30,972</u>
Parks:				
Salaries and wages	332,220	332,220	318,970	13,250
Employee benefits	93,204	93,204	87,354	5,850
Materials, supplies, and services	133,672	135,172	117,590	17,582
Capital outlay	131,070	127,238	90,218	37,020
	<u>690,166</u>	<u>687,834</u>	<u>614,132</u>	<u>73,702</u>
Recreation:				
Salaries and wages	288,192	288,192	319,518	(31,326)
Employee benefits	70,871	70,871	72,205	(1,334)
Materials, supplies, and services	243,354	243,354	230,198	13,156
Capital outlay	45,495	45,495	39,615	5,880
	<u>647,912</u>	<u>647,912</u>	<u>661,536</u>	<u>(13,624)</u>
Aquatic center:				
Salaries and wages	79,390	79,390	102,525	(23,135)
Employee benefits	27,991	27,991	19,907	8,084
Materials, supplies, and services	22,460	22,460	21,202	1,258
Capital outlay	23,025	34,025	14,575	19,450
	<u>152,866</u>	<u>163,866</u>	<u>158,209</u>	<u>5,657</u>
Cemetery:				
Salaries and wages	500	500	551	(51)
Employee benefits	38	38	42	(4)
Materials, supplies, and services	6,660	6,660	998	5,662
	<u>7,198</u>	<u>7,198</u>	<u>1,591</u>	<u>5,607</u>
Total community services	<u>1,853,363</u>	<u>1,890,392</u>	<u>1,788,078</u>	<u>102,314</u>

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund - Continued
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u> <u>(Negative)</u>
<u>Expenditures</u>				
<u>Community development</u>				
CDBG urban redevelopment:				
Salaries and wages	35,494	35,494	45,316	(9,822)
Employee benefits	8,473	8,473	15,092	(6,619)
Materials, supplies, and services	65,372	65,372	26,806	38,566
	<u>109,339</u>	<u>109,339</u>	<u>87,214</u>	<u>22,125</u>
Community and economic development:				
Salaries and wages	70,360	70,360	70,565	(205)
Employee benefits	19,608	19,608	19,511	97
Materials, supplies, and services	60,150	438,024	437,132	892
	<u>150,118</u>	<u>527,992</u>	<u>527,208</u>	<u>784</u>
Total community development	<u>259,457</u>	<u>637,331</u>	<u>614,422</u>	<u>22,909</u>
<u>Debt service</u>				
Principal retirement	749,640	749,639	749,640	(1)
Interest payments	654,560	659,936	659,947	(11)
Lease obligations	1,421	1,421	5,290	(3,869)
	<u>1,405,621</u>	<u>1,410,996</u>	<u>1,414,877</u>	<u>(3,881)</u>
<u>Other Financing Uses</u>				
Transfers to other funds	<u>513,753</u>	<u>1,416,424</u>	<u>1,546,279</u>	<u>(129,855)</u>
Total other financing uses	<u>513,753</u>	<u>1,416,424</u>	<u>1,546,279</u>	<u>(129,855)</u>
Total expenditures and other financing uses	13,638,204	15,266,627	14,437,334	829,293
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>267,106</u>	<u>(1,256,002)</u>	<u>(1,038,980)</u>	<u>217,022</u>
Fund balance, beginning of year	<u>2,972,827</u>	<u>2,972,827</u>	<u>2,972,827</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,239,933</u>	<u>1,716,825</u>	<u>1,933,847</u>	<u>217,022</u>

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Redevelopment Agency Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u> <u>(Negative)</u>
<u>Revenues:</u>				
Taxes	\$1,200,000	1,200,000	1,320,874	120,874
Rents and other services	22,500	22,500	29,537	7,037
Interest revenue	5,115	5,115	12,743	7,628
	<u>1,227,615</u>	<u>1,227,615</u>	<u>1,363,154</u>	<u>135,539</u>
<u>Expenditures:</u>				
Current operating				
General government	105,350	105,350	111,660	(6,310)
Capital outlay	200,000	200,000	-	200,000
Debt service				
Principal retirement	1,401,991	2,757,991	383,991	2,374,000
Interest payments	171,521	171,521	182,928	(11,407)
Total expenditures	<u>1,878,862</u>	<u>3,234,862</u>	<u>678,579</u>	<u>2,556,283</u>
Excess of revenue over (under)				
expenditures	<u>(651,247)</u>	<u>(2,007,247)</u>	<u>684,575</u>	<u>2,691,822</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds of refunding bond	-	1,399,000	1,399,000	-
Payment to refunding bond escrow	-	(1,187,000)	(1,187,000)	-
Operating transfers in	100,000	100,000	-	(100,000)
Operating transfers (out)	<u>(635,753)</u>	<u>(635,753)</u>	<u>(535,753)</u>	<u>100,000</u>
Total other financing sources				
(uses)	<u>(535,753)</u>	<u>(323,753)</u>	<u>(323,753)</u>	<u>-</u>
Excess of revenues and other				
financing sources over (under)				
expenditures and other financing uses	418,697	(191,374)	360,822	552,196
Fund balances, beginning of year	<u>341,954</u>	<u>341,954</u>	<u>341,954</u>	<u>-</u>
Fund balances, end of year	<u>\$ 760,651</u>	<u>150,580</u>	<u>702,776</u>	<u>552,196</u>

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-Type Activities - Enterprise		
	Public Utility	Ambulance	
	Fund	Service Fund	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 5,294,729	205,365	5,500,094
Accounts receivable	742,430	252,770	995,200
Allowance for doubtful accounts	(56,653)	(36,998)	(93,651)
Due from other funds	11,845	275	12,120
Prepaid items	269,253	-	269,253
Interfund loan - RDA	1,125,000	-	1,125,000
Total current assets	7,386,604	421,412	7,808,016
Noncurrent assets:			
Restricted cash and cash equivalents	98,497	-	98,497
Water stock and rights	9,162	-	9,162
Land, equipment, buildings and improvements	13,885,829	210,333	14,096,162
Less: accumulated depreciation	(6,561,523)	(128,474)	(6,689,997)
Construction in process	1,022,762	-	1,022,762
Total noncurrent assets	8,454,727	81,859	8,536,586
Total assets	15,841,331	503,271	16,344,602
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable and accrued liabilities	341,387	8,136	349,523
Due to other funds	1,163	275	1,438
Customer deposits	98,497	-	98,497
Current portion lease obligations	55,347	-	55,347
Total current liabilities	496,394	8,411	504,805
Total liabilities	496,394	8,411	504,805
Net assets:			
Restricted	98,497	-	98,497
Unrestricted	15,246,440	494,860	15,741,300
Total net assets	15,344,937	494,860	15,839,797
Total liabilities and net assets	\$ 15,841,331	503,271	16,344,602

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				
	Public Utility Fund				Ambulance Service Fund
	Water Utility	Sewer Utility	Waste Collection	Storm Drain	
Operating Revenues:					
Charges for services	\$ 2,438,686	1,839,477	1,433,047	451,020	492,820
Miscellaneous	33,289	-	7,135	-	-
Total operating revenues	2,471,975	1,839,477	1,440,182	451,020	492,820
Operating Expenses:					
Salaries and wages	433,443	148,524	37,104	47,389	47,731
Employee benefits	125,255	76,143	12,203	21,342	3,435
Maintenance and supplies	934,371	1,221,184	1,080,081	75,158	434,410
Depreciation and amortization	413,510	54,717	15,472	30,778	26,435
Total operating expenses	1,906,579	1,500,568	1,144,860	174,667	512,011
Operating income	565,396	338,909	295,322	276,353	(19,191)
Nonoperating Revenues (Expenses):					
Gain/(loss) on disposal of fixed assets				12,008	-
Interest revenue				174,718	6,115
Interest expense and fiscal charges				(3,975)	(429)
Total nonoperating revenues (expenses)				182,751	5,686
Income (loss) before contributions and transfers				1,658,731	(13,505)
Operating transfers in				749,178	-
Operating transfers (out)				(594,006)	-
Change in net assets				155,172	-
Total net assets - beginning				1,813,903	(13,505)
				13,531,034	508,365
Total net assets - ending				\$ 15,344,937	494,860
					15,839,797

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Public Utility	Ambulance	Total
<u>Cash flows from operating activities</u>			
Receipts from customers	\$ 6,199,060	461,847	6,660,907
Payments to suppliers	(3,368,360)	(439,377)	(3,807,737)
Payments to employees	(901,403)	(51,166)	(952,569)
Net cash provided (used) by operating activities	<u>1,929,297</u>	<u>(28,696)</u>	<u>1,900,601</u>
<u>Cash flows from noncapital financing activities</u>			
Transfers from other funds	749,178	-	749,178
Transfers to other funds	(594,006)	-	(594,006)
Net cash provided (used) by noncapital financing activities	<u>155,172</u>	<u>-</u>	<u>155,172</u>
<u>Cash flows from capital and related financing activities</u>			
Proceeds from sale of capital asset	12,008	-	12,008
Purchases of capital assets	(1,563,060)	(4,279)	(1,567,339)
Principal paid on capital debt	(52,535)	(17,052)	(69,587)
Interest paid on capital debt	(3,975)	(429)	(4,404)
Net cash provided (used) by capital and related financing activities	<u>(1,607,562)</u>	<u>(21,760)</u>	<u>(1,629,322)</u>
<u>Cash flows from investing activities</u>			
Interest and dividends received	174,718	6,115	180,833
Net cash provided (used) by investing activities	<u>174,718</u>	<u>6,115</u>	<u>180,833</u>
Net increase (decrease) in cash and cash equivalents	651,625	(44,341)	607,284
Cash and cash equivalents - beginning	4,741,601	249,706	4,991,307
Cash and cash equivalents - ending	<u>\$ 5,393,226</u>	<u>205,365</u>	<u>5,598,591</u>
<u>Reconciliation of operating income to net cash provided (used) by operating activities:</u>			
Operating income	<u>\$ 1,475,980</u>	<u>(19,191)</u>	<u>1,456,789</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	514,477	26,435	540,912
(Increase)/decrease in accounts receivable	(3,594)	(35,940)	(39,534)
Increase (decrease) in accounts payable	(57,566)	-	(57,566)
Total adjustments	<u>453,317</u>	<u>(9,505)</u>	<u>443,812</u>
Net cash provided (used) by operating activities	<u>\$ 1,929,297</u>	<u>(28,696)</u>	<u>1,900,601</u>

The accompanying notes are an integral part of the financial statements.

Clearfield City Corporation
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2005

	<u>Offsite Improvements</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 188,724
Due from other funds	<u>669</u>
Total assets	<u><u>189,393</u></u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Due to other funds	<u>354</u>
Net assets:	
Held for developers	<u>189,039</u>
Total net assets	<u><u>189,039</u></u>
Total liabilities and net assets	<u><u>\$ 189,393</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Clearfield City Corporation

Notes to Financial Statements

June 30, 2005

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The City is a municipal corporation governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. Each blended component unit has a June 30 year end.

Blended component units. The following entities are blended in the accompanying basic financial statements:

Clearfield City Redevelopment Agency
Clearfield City Municipal Building Authority

Blending means that component unit balances and transactions are combined with balances and transactions of the primary government. Although legally separate from the City, the above component units are blended because they are governed by boards comprised of the City council members. The City retains fiscal responsibility for these entities. These entities are reported as special revenue funds.

Discretely presented component units. The City currently has no discretely presented component units.

Complete financial statements for the component units may be obtained at the entities administrative offices, 140 East Center, Clearfield, Utah 84015.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the *primary government* is financially accountable.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 1 - Summary of Significant Account Policies, continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 1 - Summary of Significant Account Policies, Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *redevelopment agency fund* accounts for redevelopment agency transactions conducted by Clearfield City, including property acquisition, site improvements, preparation cost, installation of public improvements, and administration cost.

The *facilities development fund* accumulates development and impact fees from various sources which are restricted for use in specific areas. Fees collected include storm sewer development fees, park fees, and water development fees.

The *capital project fund* accounts for the ongoing acquisition and replacement of major capital assets and infrastructure improvements needed to maintain the operations of the City. General government resources provide the primary source of funding with grants and other government resources providing additional funding as available.

The City reports the following major proprietary funds:

The *water fund* accounts for the operations of the City's water utility system.

The *sewer fund* accounts for the operations of the City's sewer utility system.

The *waste collection fund* accounts for the revenues and expenses associated with providing waste collection services.

The *storm drain fund* accounts for the operations of the City's storm drain system.

The *ambulance fund* accounts for the revenues and expenses associated with providing ambulance transportation services.

The City reports the following fiduciary fund:

The *offsite improvement fund* accounts for the funds collected from developers for offsite improvements.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 1 - Summary of Significant Account Policies, Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, garbage, storm drain, and ambulance services enterprise funds are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the City, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 1 - Summary of Significant Account Policies, continued

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund loans".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are collected by the County Treasurer and remitted to the City shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by the telephone, natural gas and electric utilities and by cable TV operations and are remitted to the City monthly.

3. Restricted cash and cash equivalents

Certain resources of the City's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 1 - Summary of Significant Account Policies, continued

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets will be valued at estimated historical cost in future financial reports.

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	15-20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5-10
Equipment	3-7

5. Compensated absences

City employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation up to 240 hours may carryover into the next year and is paid upon termination. Sick leave in excess of 80 hours may be converted to five days vacation leave or to cash at one-fourth of the amount.

Sick leave is forfeited upon termination. Certain eligible employees, can, upon retirement, convert unused sick leave into prepaid health insurance premiums (up to 5 years) or receive an equivalent lump sum payment.

In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for the governmental funds is recorded in the General Long-Term Account Group.

Unpaid compensated absences in proprietary funds are recorded as a liability in those funds as the vested benefits to employees accrue.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 1 - Summary of Significant Account Policies, continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity/ net assets

Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 45,441,574
Accumulated depreciation	<u>(8,893,737)</u>
Total difference	<u><u>\$ 36,547,837</u></u>

Deferred revenue:

Long-term assets applicable to the City's governmental activities are not available to pay for current expenditures and thus are deferred in government funds. The statement of net assets includes these as revenue:

Deferred revenue - property taxes	\$ 2,758,295
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Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements - continued

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2005 were:

Notes payable	\$ 559,443
General obligation bonds	12,732,342
Revenue bonds	17,036,000
Capital leases	229,743
Interest payable on long-term debt	490,183
Compensated absences	389,548
	<hr/>
Total difference	<u>\$ 31,437,259</u>

Explanation of differences between governmental fund operating statements and the statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 7,993,026
Loss on disposal of fixed assets	(10,760)
Depreciation expense	<u>(1,148,416)</u>
	<hr/>
Net difference as reported	<u>\$ 6,833,850</u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements - continued

Another element of the reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Debt issued or incurred:	
General obligation debt	\$(10,391,622)
Revenue bond obligations	(1,399,000)
Principal repayments:	
General obligation debt	10,355,000
Capital lease obligations	247,568
Revenue bond obligations	2,027,000
Notes payable	<u>129,991</u>
Net difference as reported	<u>\$ 968,937</u>

Another element of the reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the difference are as follows:

Compensated absences	\$ (26,063)
Amortization of bond premiums	20,357
Accrued interest	<u>164,569</u>
Net difference as reported	<u>\$ 158,863</u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 3 - Stewardship, Compliance, and Accountability

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by the Clearfield City Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the City Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is at the functional level. Appropriations lapse at June 30.

Utah State law allows for any undesignated fund balance in excess of 5% of total revenues of the General Fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the General Fund in an amount equal to 18% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the city has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are prepared on the modified accrual basis of accounting. Encumbrances are used only as an internal management control device during the year. Appropriations lapse at year end. Therefore encumbrances are not reflected in the accompanying financial statements. However, encumbrances generally are reappropriated and honored as part of the following year's budget.

Note 4 - Detailed Notes on All Funds

Deposits and investments

The City maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund, which is available for use by all funds.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the City had the following deposits and investments:

	<u>Fair Value</u>
Cash on deposit	\$ 1,504,817
State Treasurer's investment pool	<u>14,109,821</u>
	<u>\$ 15,614,638</u>

Interest rate risk. The City manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2005, the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$1,260,086 of the \$1,360,086 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on hand and on deposit	
Cash on hand	\$ 2,785
Cash on deposit	(135,897)
Utah State Treasurer's investment pool account	<u>14,109,821</u>
	<u>\$13,976,709</u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 9,433,940
Restricted cash	<u>4,542,769</u>
	<u><u>\$13,976,709</u></u>

Property taxes receivable

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Property taxes receivable (general fund)	\$ 2,175,214
Property taxes receivable (debt service fund)	<u>583,081</u>
Total deferred/unearned revenue for governmental funds	<u><u>\$ 2,758,295</u></u>

Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,797,171	508,819	-	3,305,990
Construction in progress	6,723,192	6,676,803	1,032,979	12,367,016
Water rights	<u>25,200</u>	<u>-</u>	<u>-</u>	<u>25,200</u>
Total capital assets not being depreciated	<u>9,545,563</u>	<u>7,185,622</u>	<u>1,032,979</u>	<u>15,698,206</u>
Capital assets being depreciated:				
Buildings	13,410,929	-	19,065	13,391,864
Improvements	4,620,290	558,345	-	5,178,635
Machinery and equipment	5,956,310	723,261	33,330	6,646,241
Infrastructure	<u>3,967,851</u>	<u>558,777</u>	<u>-</u>	<u>4,526,628</u>
Total capital assets being depreciated	<u>27,955,380</u>	<u>1,840,383</u>	<u>52,395</u>	<u>29,743,368</u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

Primary Government	Beginning			Ending
Governmental Activities:	Balance	Increases	Decreases	Balance
Less accumulated depreciation for:				
Buildings	\$ 2,232,946	364,863	17,533	2,580,276
Improvements	1,898,414	113,815	-	2,012,229
Machinery and equipment	3,570,627	575,102	24,102	4,121,627
Infrastructure	84,969	94,636	-	179,605
Total accumulated depreciation	7,786,956	1,148,416	41,635	8,893,737
Total capital assets,				
being depreciated, net	20,168,424	691,967	10,760	20,849,631
Governmental activities				
capital assets, net	\$ 29,713,987	7,877,589	1,043,739	36,547,837
Business-type Activities:				
Capital assets not being depreciated:				
Construction in process	\$ 336,474	773,481	87,193	1,022,762
Water stock and rights	9,162	-	-	9,162
Total capital assets not				
being depreciated	345,636	773,481	87,193	1,031,924
Capital assets being depreciated:				
Buildings	100,721	-	-	100,721
Improvements	7,768,188	693,740	-	8,461,928
Distribution mains and reservoir	2,493,786	-	-	2,493,786
Machinery and equipment	2,999,066	154,661	114,000	3,039,727
Total capital assets being depreciated	13,361,761	848,401	114,000	14,096,162
Less accumulated depreciation for:				
Buildings	5,085	2,999	-	8,084
Improvements	2,551,578	152,821	-	2,704,399
Distribution mains and reservoir	2,030,651	120,073	-	2,150,724
Machinery and equipment	1,621,228	265,019	59,457	1,826,790
Total accumulated depreciation	6,208,542	540,912	59,457	6,689,997
Total capital assets,				
being depreciated, net	7,153,219	307,489	54,543	7,406,165
Business-type activities capital				
assets, net	\$ 7,498,855	1,080,970	141,736	8,438,089

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 577,501
Public safety	336,937
Highways and public improvements	133,143
Parks and recreation	100,835
Total depreciation expense - governmental activities	<u>1,148,416</u>

Business-type activities:

Water	413,510
Sewer	54,717
Storm sewer	30,778
Garbage	15,472
Ambulance	26,435
Total depreciation expense - Business-type activities	<u>540,912</u>

Total depreciation expense	<u><u>\$ 1,689,328</u></u>
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Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances at June 30, 2005 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 7,486	3,399
Redevelopment Agency	2,798	174,727
Capital Projects	921	10,973
Public Utility	11,845	1,163
Ambulance Service	275	275
Facilities Development	166,740	80
Nonmajor Governmental	258	21
Offsite Improvements	669	354
	<u><u>\$ 190,992</u></u>	<u><u>190,992</u></u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

		Loans Receivable	Loans Payable		
<u>Fund</u>		<u>Other Funds</u>	<u>Other Funds</u>		
Redevelopment Agency		\$ -	1,125,000		
Public Utility		1,125,000	-		
		<u>\$ 1,125,000</u>	<u>1,125,000</u>		
Interfund transfers:					
	Capital Projects	General Fund	Non-Major Governmental	Public Utility Fund	Facilities Development
Transfers out:					
General Fund	\$ 1,167,438	-	106,632	-	272,209
Public Utility Fund	7,674	-	586,332	-	-
Facilities					-
Development Fund	350,000	-	-	749,178	-
Redevelopment Agency	-	535,753	-	-	-
Non-major Governmental	30,000	-	-	-	-
Total Transfer in	<u>\$ 1,555,112</u>	<u>535,753</u>	<u>692,964</u>	<u>749,178</u>	<u>272,209</u>

Leases

Capital leases

The City has entered into lease agreements as lessee for financing the acquisition of two fire trucks and land. The City also has financed the acquisition of certain water meters in the enterprise fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Water Enterprise Fund</u>
Assets:		
Vehicles	\$ 382,511	-
Machinery and equipment	-	804,000
Land	11,280	-
Less: Accumulated depreciation	<u>(121,488)</u>	<u>(430,030)</u>
Total	<u>\$ 272,303</u>	<u>373,970</u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

Year Ending June 30	Governmental Activities	Water Enterprise Fund
2006	\$ 89,043	57,552
2007	88,543	-
2008	43,873	-
2009	21,936	-
2010	-	-
Total minimum lease payments	243,395	57,552
Less: amount representing interest	(13,652)	(2,205)
Present value of Minimum lease payments	<u>\$ 229,743</u>	<u>55,347</u>

Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$15,000,000. During the year, general obligation bonds totaling \$10,105,000 were issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 14 to 20 year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Overpass and municipal buildings	4.4-5.5%	\$ 2,300,000
Overpass and municipal buildings	3-5%	10,105,000
		<u>\$ 12,405,000</u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 655,000	439,336
2007	575,000	515,263
2008	600,000	489,388
2009	625,000	462,413
2010	660,000	434,050
2011-2015	3,700,000	1,768,425
2016-2020	4,550,000	899,775
2021-2026	1,040,000	52,000
Total	<u>\$12,405,000</u>	<u>5,060,650</u>

Advance and current refundings:

In April 2005, the City issued \$10,105,000 in general obligation bonds to partially refund previous general obligation bonds with an outstanding balance of \$12,090,000. The City has invested the proceeds in State and Local Government Securities (SLGS's) such that \$9,790,000 of the previous bond balance will be refunded when the bonds become callable in the year 2009. In addition, the remaining amounts of invested funds will be used to subsidize the payments on the remaining \$2,300,000 that is not being refunded. The refunding of the \$9,790,000 is considered an in-substance defeasance and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce the total number of debt service payments by 2 years resulting in an economic gain of \$308,423.

Revenue bonds

The City also issued sales tax revenue bonds which were used for City improvements such as new aquatic center, skate park, gymnasium, and water and sewer projects. The 2003 bonds were issued for \$14,650,000, and are due in annual installments of \$365,000 to \$875,000 thru July 1, 2026. At June 30, 2005 the outstanding balances of such issues are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General fund	2.0-5.0%	\$ 14,285,000

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

In addition, the City's Redevelopment Agency has issued tax increment revenue bonds which were used to pay off loans owed to the General and Enterprise Funds of the City. The 1996 bonds were issued for \$2,275,000 and are due in annual installments of \$57,000 to \$165,000 thru August 1, 2011 and the 2004 series bonds were issued for \$1,399,000, and are due in annual installments of \$130,000 to \$155,000 thru May 15, 2014. At June 30, 2005 the outstanding balances of such issues were as follows:

Governmental activities:

	<u>Interest Rates</u>	<u>Amount</u>
1996 Redevelopment	6.5-8.15%	\$ 958,000
2004 Redevelopment	2.55-4.3%	1,249,000
		<u>\$ 2,207,000</u>

The City has two other debts which it treats as revenue type debt because of the nature of the debt and the revenues being used to fund the related debt service. These two debts are a lease revenue bond issued by the City Municipal Building Authority for renovation of the old city building, pay off the debt for Katie's Park and for sewer and waterline improvements. The original debt was for \$791,000 and is being repaid in installments of \$60,000 to \$103,000 per year. In addition, in 2000, the City issued Excise Tax revenue bonds which are secured by the collection of Class "C" roads funds. Such bonds were originally issued for \$679,000 and were used to refinance (for interest savings) MFA excise tax revenue bonds and specific road improvements in accordance with the allowed uses of Class "C" road funds as mandated by the State of Utah. The bonds are being repaid in annual installments of \$124,000 to \$150,00 thru December 1, 2005. At June 30, 2005, the two debt balances are as follows:

Governmental activities:

	<u>Interest Rates</u>	<u>Amount</u>
2000 Excise Tax Revenue Bonds	5.5%	\$ 150,000
2001 Lease Revenue Bonds	2.0 to 5.0%	394,000
		<u>544,000</u>
Total city reflected revenue bonds		<u>\$ 17,036,000</u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 846,000	739,686
2007	688,000	713,094
2008	729,000	689,661
2009	723,000	664,404
2010	750,000	636,416
2011-2015	3,270,000	2,744,169
2016-2020	2,825,000	2,144,450
2021-2025	3,605,000	1,368,625
2026-2030	3,600,000	371,250
Total	<u>\$17,036,000</u>	<u>10,071,755</u>

Advance and current refundings

The government issued \$1,399,000 of tax increment revenue refunding bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,187,000 on tax increment revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce the total number of debt service payments by 6 years resulting in an economic gain of \$112,118.

Notes payable

The City has also incurred debt in the form of notes payable. The City Redevelopment Agency has issued several notes payable, which were used for land improvements, development, and infrastructure, which includes costs for street, curbs, gutter, sidewalk, parking lots, water line, sewer lines, engineering, oversight, and the survey of land. Annual installments of note payable principal range from \$1,700 to \$54,317 with interest rates from 0%-10.5%. At June 30, 2005, annual debt service requirements to maturities are as follows:

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Detailed Notes on All Funds - continued

Governmental Activities:

Year Ending June 30	Principal	Interest
2006	\$ 39,311	36,692
2007	40,289	35,714
2008	41,369	34,634
2009	42,562	33,440
2010	43,881	32,121
2011-2015	154,582	135,428
2016-2020	155,818	74,192
2021-2026	41,631	4,371
Total	<u>\$ 559,443</u>	<u>386,592</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 12,655,000	10,105,000	(10,355,000)	12,405,000	655,000
Revenue bonds	17,664,000	1,399,000	(2,027,000)	17,036,000	846,000
Total bonds payable	30,319,000	11,504,000	(12,382,000)	29,441,000	1,501,000
Notes payable	689,434	-	(129,991)	559,443	39,311
Capital leases	477,311	-	(247,568)	229,743	81,732
Compensated absences	363,485	26,063	-	389,548	-
Governmental activity long-term liabilities	<u>\$ 31,849,230</u>	<u>11,530,063</u>	<u>(12,759,559)</u>	<u>30,619,734</u>	<u>1,622,043</u>
Business-type activities:					
Bonds payable:					
Capital leases	\$ 124,934	-	(69,587)	55,347	55,347
Business-type activity long-term liabilities	<u>\$ 124,934</u>	<u>-</u>	<u>(69,587)</u>	<u>55,347</u>	<u>55,347</u>

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Other information

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Retirement Plans

Local governmental - cost sharing

Plan description

Clearfield City Corporation (City) contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), Public Safety Retirement System (Public Safety System) for employers with social security coverage, and Firefighters Retirement System (Firefighters System) which is for employers with social security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding policy

During 1996, the City ceased participating in the Local Governmental Contributory Retirement System. Plan members are required to contribute a percent their of covered salary (all or part may be paid by the employer) to the respective systems to which they belong. The City is required to contribute a percent of covered salary to the respective systems, 0% to the Contributory, 11.09% to the Noncontributory, 0% to the Public Safety Contributory, 19.08% to the Public Safety Noncontributory and 8.61% to the Firefighters Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Other information - continued

The City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004 and 2003, were \$ 347,602, \$281,911 and \$242,455 respectively, and for the Public Safety Retirement System the contributions for June 30, 2005, 2004 and 2003, were \$247,908, \$194,831 and \$154,490 respectively, and for the Firefighters Retirement System the contributions for June 30, 2005, 2004 and 2003 were \$50,717, \$44,997 and \$40,956 respectively. The contributions were equal to the required contributions for each year.

Deferred Compensation Plan

The City offers its employees a Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The payment of deferred compensation is not available to employees until termination, retirement, death, or emergency. The City's contributions to the 457 Deferred Compensation Plan were \$46,184 for the year ended June 30, 2005.

Defined Contribution Plan

The 401(k) plan provided by International City Management Association (ICMA) is a multiple-employer defined contribution plan. All employees of the City who participate in the Utah Retirement System contributory, noncontributory, or firefighters system are eligible to participate in the plan. Employees are immediately 100 percent vested in their contributions to the plan. Employee contributions to the 401(k) plan and the Deferred Compensation Plan are voluntary. Employer contributions are also voluntary and are determined by the City Council and are intended to standardize a minimum retirement contribution of 13% for all full time employees participating in the Utah Retirement System. The City's contributions to the 401(k) plan were \$124,264 for the year ended June 30, 2005.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are a few potential lawsuits in which the City is involved. The City's attorney estimates that the potential claims against the City resulting from such litigation not covered by insurance would not materially affect the financial statements of the City.

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Other information - continued

Redevelopment Agency

Tax increment monies were generated from the following project areas within the Redevelopment Agency:

Area #6	\$ 172,361
Area #7	282,743
Area #8	184,162
Area #9	68,386
Area #10	214,584
EDA	<u>398,638</u>
Total Increment Money	<u>\$ 1,320,874</u>

The other project areas within the RDA generated a base value decline which resulted in no tax increment monies being received for these areas.

Tax increment paid to other
taxing agencies

\$ -

Outstanding debt of the RDA consists of the following:

Tax Increment Bonds- Series 1996 A	\$ 150,000
Tax Increment Bonds- Series 1996 B	753,000
Tax Increment Bonds- Series 2004	1,249,000
Notes payable to various individuals for purchase of property and improvements	559,443
Advances from and amounts due to other funds	<u>1,299,727</u>
	<u>\$ 4,011,170</u>

During the year, the RDA expended monies in the categories below as follows:

Acquisition of Property	\$ -
Site Improvements/ Preparation Costs	-
Installation of Public Improvements	-
Administration Costs	111,660
Debt repayment and bond issuance costs	566,919

Clearfield City Corporation
Notes to Financial Statements - Continued
June 30, 2005

Note 4 - Other information - continued

Prior Period Adjustment

A prior period adjustment was made in the RDA Fund to reflect an exchange of property inventory for land in a prior year. The land received was then transferred to the General Fund. The amount of the exchange was \$59,138.

Subsequent Event

North Davis Fire Protection District

In October 2004, the Clearfield City Council approved a resolution to create the North Davis Fire Protection District to serve residents of the Clearfield and West Point communities. Effective July 1, 2005, the City transferred all of the operations, assets and liabilities of its ambulance service enterprise fund to the District along with the assets and operations of its fire department. Fire department assets included \$1,473,000 in building and equipment with accumulated depreciation of \$1,032,000 for a net book value of \$441,000. In addition, the City estimates the value of supplies and equipment transferred that fell below the capitalization limit to be \$1,100,000. Employees of the City who worked in the fire department were also terminated as of July 1 and hired by the District. The City is currently negotiating agreements for various services to be provided between Clearfield City and the Fire District.

SUPPLEMENTAL INFORMATION

Clearfield City Corporation
Governmental Fund Descriptions
June 30, 2005

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Facilities Development Fund - This fund accumulates development and impact fees from various sources which are restricted for use in specific areas. Fees collected include storm sewer development fees, park fees, and water development fees.

Capital Project Fund - This fund accounts for the ongoing acquisition and replacement of major capital assets and infrastructure improvements needed to maintain the operations of the city. General government resources provide the primary source of funding with grants and other government resources providing additional funding as available.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Municipal Building Authority Fund - This fund is used to account for specific transactions related to public notices, records, and liability insurance expenditures for municipal buildings.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

G.O. Bond Fund - This fund is used to account for principal and interest on the general obligation bonds used to finance construction in the City.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Park Fund - This fund is used to account for the acquisition and development of City parks. Federal and State grant revenues along with general governmental resources provide funding for these projects.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The Cemetery Perpetual Care Permanent Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust is used to maintain the City's cemetery.

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Facilities Development Funds
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Favorable</u>
<u>Revenues</u>				<u>(Unfavorable)</u>
Intergovernmental	\$ -	-	-	-
Development and impact fees	-	-	523,148	523,148
Interest revenue	-	-	106,542	106,542
	-	-	629,690	629,690
<u>Expenditures</u>				
Current operating				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	629,690	629,690
<u>Other Financial (Uses):</u>				
Transfers in			272,209	272,209
Transfers (out)		-	(1,099,178)	(1,099,178)
	-	-	(826,969)	(826,969)
Excess (deficiency) of revenues over (under) expenditures and other financial uses	-	-	(197,279)	(197,279)
Fund balance, beginning of year	4,056,871	4,056,871	4,056,871	-
Fund balance, end of year	<u>\$ 4,056,871</u>	<u>4,056,871</u>	<u>3,859,592</u>	<u>(197,279)</u>

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Capital Projects Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>	\$ -	-	-	-
<u>Expenditures</u>				
Capital outlay	8,700,114	8,988,666	7,191,765	1,796,901
Excess (deficiency) of revenues over (under) expenditures	(8,700,114)	(8,988,666)	(7,191,765)	1,796,901
<u>Other Financial Sources (Uses):</u>				
Proceeds from capital lease obligation	-	-	-	-
Operating transfers in	2,051,680	2,609,263	1,555,113	(1,054,150)
Operating transfers (out)	-	-	-	-
	2,051,680	2,609,263	1,555,113	(1,054,150)
Excess (deficiency) of revenues over (under) expenditures and other financial uses	(6,648,434)	(6,379,403)	(5,636,652)	742,751
Fund balance, beginning of year	7,076,806	7,076,806	7,076,806	-
Fund balance, end of year	\$ 428,372	697,403	1,440,154	742,751

Clearfield City Corporation

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2005

	Special Revenue	Debt Service	Capital Projects	Permanent Fund	Total
	Municipal Building Authority	G.O. Bond	Parks	Cemetery Perpetual Care	Nonmajor Governmental Funds
Cash and cash equivalents	\$ 26	15,572	19,154	107,994	142,746
Receivables	-	583,122	-	-	583,122
Due from other funds	4	-	254	-	258
Total assets	30	598,694	19,408	107,994	726,126
Liabilities and Fund Balances					
Liabilities:					
Deferred revenue	-	583,081	-	-	583,081
Due to other funds	21	-	-	-	21
Total liabilities	21	583,081	-	-	583,102
Fund balances:					
Fund balances reserved for:					
Special revenue	9	-	-	-	9
Debt service	-	15,613	-	-	15,613
Capital projects	-	-	19,408	-	19,408
Cemetery perpetual care	-	-	-	107,994	107,994
Total fund balances	9	15,613	19,408	107,994	143,024
Total liabilities and fund balance	\$ 30	598,694	19,408	107,994	726,126

Clearfield City Corporation
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Municipal Building Authority	Debt Service G.O. Bond	Capital Projects Parks	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Fund
Revenues					
Interest	\$ 104	-	-	3,203	3,307
Intergovernmental	-	-	-	5,300	5,300
Property tax	-	593,160	-	-	593,160
Total	104	593,160	-	8,503	601,767
Expenditures					
Bond issue costs	-	172,834	-	-	172,834
Debt service:					
Principal retirement	79,000	10,784,088	-	-	10,863,088
Interest and fiscal charges	27,727	625,524	-	-	653,251
Total expenditures	106,727	11,582,446	-	-	11,689,173
Excess (deficiency) of revenues over (under) expenditures	(106,623)	(10,989,286)	-	8,503	(11,087,406)
Other Financing Sources (Uses):					
Proceeds from bond payable	-	10,391,622	-	-	10,391,622
Operating transfers in	106,632	586,332	-	-	692,964
Operating transfers (out)	-	-	(30,000)	-	(30,000)
Total other financing sources (uses)	106,632	10,977,954	(30,000)	-	11,054,586
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	9	(11,332)	(30,000)	8,503	(32,820)
Fund balance, beginning of year	-	26,945	49,408	99,491	175,844
Fund balance, end of year	\$ 9	15,613	19,408	107,994	143,024

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Municipal Building Authority Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>	<u>\$ -</u>	<u>-</u>	<u>104</u>	<u>104</u>
<u>Expenditures</u>				
Debt service				
Principal retirement	79,000	79,000	79,000	-
Interest payments	26,227	26,227	27,727	(1,500)
Total expenditures	105,227	105,227	106,727	(1,500.00)
Excess (deficiency) of revenues over expenditures	(105,227)	(105,227)	(106,623)	(1,396)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	105,227	105,227	106,632	1,405
Operating transfers (out)	-	-	-	-
Total other sources	105,227	105,227	106,632	1,405
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	9	9
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>9</u>	<u>9</u>

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - G.O. Bond
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u> <u>(Negative)</u>
<u>Revenues</u>				
Taxes	\$ 608,735	608,735	593,160	(15,575)
Total revenues	608,735	608,735	593,160	(15,575)
<u>Expenditures</u>				
Bond issue costs	300	172,924	172,834	90
Principal retirement	565,000	10,783,998	10,784,088	(90)
Interest and fiscal charges	609,986	625,704	625,524	180
Total expenditures	1,175,286	11,582,626	11,582,446	180
Excess (deficiency) of revenues over expenditures	(566,551)	(10,973,891)	(10,989,286)	(15,395)
<u>Other Financing Sources (Uses)</u>				
Proceeds from bond payable	-	10,391,622	10,391,622	-
Operating transfers in	487,832	487,832	586,332	98,500
Total other sources	487,832	10,879,454	10,977,954	98,500
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(78,719)	(94,437)	(11,332)	83,105
Fund balance, beginning of year	26,945	26,945	26,945	-
Fund balance, end of year	\$ (51,774)	(67,492)	15,613	83,105

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Parks Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers (out)	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Fund balance, beginning of year	<u>49,408</u>	<u>49,408</u>	<u>49,408</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 49,408</u></u>	<u><u>19,408</u></u>	<u><u>19,408</u></u>	<u><u>-</u></u>

Clearfield City Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Cemetery Perpetual Care Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
<u>Revenues</u>				<u>(Negative)</u>
Interest	\$ -	-	3,203	3,203
Intergovernmental	-	-	5,300	5,300
Total revenues	-	-	8,503	8,503
<u>Expenditures</u>	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	8,503	8,503
<u>Other Financing Sources (Uses)</u>				
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	8,503	8,503
Fund balance, beginning of year	99,491	99,491	99,491	-
Fund balance, end of year	<u>\$ 99,491</u>	<u>99,491</u>	<u>107,994</u>	<u>8,503</u>

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

Clearfield City Corporation
Schedule of General Fixed Assets - By Source
June 30, 2005

	Totals <u>June 30, 2005</u>
<u>General Fixed Assets:</u>	
Land	\$ 3,305,990
Water rights	25,200
Buildings	13,391,864
Improvements	5,178,635
Machinery and equipment	6,646,241
Infrastructure	4,526,628
Construction in progress	<u>12,367,016</u>
Total general fixed assets	<u><u>45,441,574</u></u>
<u>Investment in General Fixed Assets by Source:</u>	
General fund	8,949,184
Capital projects funds	35,875,021
Grants	<u>617,369</u>
Total investment in general fixed assets	<u><u>\$ 45,441,574</u></u>

Clearfield City Corporation

Schedule of General Fixed Assets - By Function and Activity

June 30, 2005

Function and activity	Land	Water Rights	Buildings	Improvements	Machinery and Equipment	Infra-structure	Construction In Progress	Totals
General government:								
Executive	\$ -	-	422,651	-	236,185	-	-	658,836
Justice court	-	-	-	1,988	79,726	-	-	81,714
Finance and administration	-	-	-	24,354	1,085,993	-	258,279	1,368,626
Public works	-	-	-	631	207,435	-	-	208,066
Other	2,888,073	25,200	12,529,024	4,111,214	48,763	420,867	42,321	20,065,462
Total general government	2,888,073	25,200	12,951,675	4,138,187	1,658,102	420,867	300,600	22,382,704
Public safety:								
Police	-	-	-	2,150	1,703,494	-	-	1,705,644
Fire	-	-	65,520	12,180	1,473,424	-	-	1,551,124
Dispatch	-	-	-	122,020	183,778	-	-	305,798
Total public safety	-	-	65,520	136,350	3,360,696	-	-	3,562,566
Highways and streets:								
Maintenance	-	-	-	-	187,170	-	-	187,170
Shops	-	-	69,595	-	583,776	-	-	653,371
Streets	-	-	-	-	50,226	4,105,763	487,925	4,643,914
Total highways and streets	-	-	69,595	-	821,172	4,105,763	487,925	5,484,455
Community service								
Parks	417,918	-	220,787	813,079	548,180	-	763,760	2,763,724
Pool	-	-	73,148	33,674	35,613	-	10,814,731	10,957,166
Recreation	-	-	11,137	57,345	222,477	-	-	290,959
Total community service	417,918	-	305,072	904,098	806,270	-	11,578,491	14,011,849
Total general fixed assets	\$3,305,991	25,200	13,391,862	5,178,635	6,646,240	4,526,630	12,367,016	45,441,574

Clearfield City Corporation
Schedule of Changes in General Fixed Assets - By Function and Activity
June 30, 2005

Function and Activity	General Fixed Assets June 30, 2004	Additions	Deletions	General Fixed Assets June 30, 2005
General government:				
Executive	\$ 589,986	68,850	-	658,836
Justice court	73,779	7,935	-	81,714
Finance and administration	1,097,271	273,910	2,555	1,368,626
Public works	167,852	46,353	6,139	208,066
Other	20,058,001	410,875	403,417	20,065,459
Total general government	21,986,889	807,923	- 412,111	22,382,701
Public safety:				
Police	1,480,396	225,248	-	1,705,644
Fire	1,466,165	84,960	-	1,551,125
Dispatch	173,979	131,819	-	305,798
Total public safety	3,120,540	442,027	-	3,562,567
Highways and streets:				
Maintenance	187,170	-	-	187,170
Shops	647,777	5,594	-	653,371
Streets	4,171,616	601,057	128,759	4,643,914
Total highways and streets	5,006,563	606,651	128,759	5,484,455
Community service				
Parks	1,885,966	1,378,562	500,803	2,763,725
Recreation	5,500,985	5,790,842	43,701	11,248,126
Total community service	7,386,951	7,169,404	544,504	14,011,851
Total general fixed assets	\$ 37,500,943	9,026,005	1,085,374	45,441,574

STATISTICAL SECTION

Clearfield City Corporation

Table 1 - General Governmental Fund Expenditures by Function

June 30, 2005

Fiscal Year	Last Ten Fiscal Years						Totals
	General Government	Public Safety	Highways and Public Improvements	Community Service	Capital Projects	Debt Service	
1996	\$ 1,364,472	\$ 3,052,528	\$ 732,471	\$ 1,044,049	\$ 638,136	\$ 252,326	\$ 7,083,982
1997	1,559,436	3,357,008	796,983	1,113,289	1,220,325	1,067,274	9,114,315
1998	1,516,008	3,839,529	898,796	1,272,923	2,749,287	489,701	10,766,244
1999	1,980,295	3,632,910	789,118	1,349,632	9,682,874	1,347,660	(1) 18,782,489
2000	2,297,118	3,897,473	718,001	1,267,648	10,062,678	1,974,852	20,217,770
2001	1,775,744	3,762,376	793,690	1,320,890	2,437,687	3,475,586	13,565,973
2002	2,092,108	3,942,389	848,246	1,489,194	1,060,474	2,367,455	11,799,866
2003	2,895,562	3,858,222	887,931	1,726,403	1,971,864	2,559,041	13,899,023
2004	3,242,854	4,270,514	913,066	1,577,595	5,998,758	2,719,876	18,722,663
2005	3,429,970	4,719,416	924,292	1,788,078	7,191,765	11,582,446	29,635,967

(1) City began showing capital lease obligations as part of debt service.
In prior years, lease obligations were included in departmental figures.

Clearfield City Corporation

Table 2 - General Fund Revenue by Source

June 30, 2005

Fiscal Year	Last Ten Fiscal Years							Total Revenue
	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Impact and Development Fees (3)	Fines and Forfeitures	Interest	Miscellaneous and Other
1996	\$4,916,833	\$ 470,193	(1) \$ 901,288	\$ 489,639	\$ -	\$ 387,816	\$91,757	\$ 25,348
1997	5,191,533	490,254	870,961	558,944	324,846	416,467	168,871	71,757
1998	5,281,392	705,054	(1) 1,363,366	546,522	1,388,734	412,720	211,023	33,103
1999	5,615,687	416,224	1,288,935	612,870	977,832	392,954	831,097	29,659
2000	6,180,814	368,969	1,487,064	618,550	659,737	421,324	488,649	15,692
2001	7,617,273	448,327	1,037,267	708,845	693,507	493,679	266,883	708,268
2002	8,324,641	621,280	(1) 1,120,746	762,459	1,025,283	564,055	115,011	157,539
2003	8,110,293	603,019	904,616	790,105	952,760	613,005	202,352	186,300
2004	8,857,144	408,074	1,349,822	840,360	546,315	913,174	301,864	693,876
2005	9,754,063	427,738	1,445,209	1,020,868	523,148	1,035,736	287,303	957,837
								(2) 11,974,049
								12,691,014
								12,362,450
								13,910,629
								15,451,902

(1) Substantial increase in building permits due to residential and commercial growth.

(2) Includes one time contributions from Utah Department of Transportation and Davis County Senior Citizens for construction projects benefiting respective organizations.

(3) Figures were restated to include Impact and Development Fees that were not previously recorded in Governmental Fund revenue until implementation of GASB 34 in 2003.

Clearfield City Corporation

Table 3 - Tax Revenue by Source (1)

June 30, 2005

General Fiscal Year	Last Ten Fiscal Years						Total Tax Revenue (2)
	General Property Tax	RDA Tax Increment	Debt Service Property Tax	Sales and Use Tax	Energy Sales & Use Tax	Franchise Tax	
1996	\$ 1,462,607	\$ 153,849	\$ -	\$ 2,012,266	\$ -	\$ 1,288,111	\$ 4,916,833
1997	1,554,482	187,295	-	2,044,038	-	1,405,718	5,191,533
1998	1,524,833	224,143	-	2,060,473	1,159,495	312,448	5,281,392
1999	1,699,847	257,263	-	2,195,986	1,122,952	339,639	5,615,687
2000	1,771,096	388,029	-	2,515,921	1,145,573	360,195	6,180,814
2001	2,221,459	535,175	463,720	2,586,307	1,415,164	395,448	7,617,273
2002	2,214,063	893,847	530,106	2,728,558	1,489,102	469,055	8,324,731
2003	2,158,853	939,679	608,735	2,459,386	1,476,890	466,750	8,110,293
2004	2,321,271	1,197,528	552,498	2,545,055	1,642,523	598,269	8,857,144
2005	2,450,414	1,320,874	593,160	2,745,620	1,752,874	891,121	9,754,063

(1) Reclassification of some franchise taxes to energy use taxes per state statute.

(2) Figures were restated to include the RDA Tax Increment and Debt Service Property Tax revenues that were not previously recorded in Tax Revenue by Source until implementation of GASB 34 in 2003.

Clearfield City Corporation

Table 4 - Property Tax Levies and Collections

June 30, 2005

Fiscal Year	Last Ten Fiscal Years					
	Total Tax Levy	Current Tax Collections	Percent of Levy Collection	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
1996-97	1,300,894	1,280,805	98.50	35,692	1,316,497	101.20
1997-98	1,342,724	1,288,610	96.00	32,104	1,320,714	98.40
1998-99	1,478,926	1,410,703	95.40	64,084	1,474,787	99.70
1999-00	1,577,893	1,496,096	94.82	45,338	1,541,434	97.69
2000-01	2,287,107	2,123,894	92.86	35,184	2,159,078	94.40
2001-02	2,484,633	2,332,269	93.90	85,014	2,417,283	97.29
2002-03	2,539,579	2,390,407	94.13	52,144	2,442,551	96.18
2003-04	2,646,384	2,459,772	92.95	105,624	2,565,396	96.94
2004-05	2,823,641	2,621,438	92.80	160,090	2,781,528	98.51

Source: Davis County Auditor's Office

Clearfield City Corporation

Table 5 - Taxable and Estimated Actual Value of Taxable Property

June 30, 2005

Last Ten Fiscal Years				
Fiscal Year	Taxable Value (in thousands)	Estimated Actual Value (in thousands)		Ratio of Taxable to Estimated Actual Value
1995-96	529,881	702,811	(1)	75.4%
1996-97	556,653	731,818		76.1%
1997-98	610,682	823,832	(1)	74.1%
1998-99	674,886	912,749		73.9%
1999-00	740,001	997,123		74.2%
2000-01	834,709	1,096,176		76.1%
2001-02	929,702	1,209,777		76.8%
2002-03	942,954	1,236,857		76.2%
2003-04	992,543	1,306,073		76.0%
2004-05	1,044,214	1,387,860		75.2%

(1) Figures corrected by Davis County Auditor's Office in 1999.

Sources: Davis County Auditor's Office
Utah State Tax Commission

Clearfield City Corporation

Table 6 - Property Tax Rates - Direct and Overlapping Governments

June 30, 2005

Last Ten Fiscal Years

Fiscal Year	Clearfield		Davis		Weber		Mosquito		North		Davis		Total	
	City	County	School	County	Davis	Basin	Water	Abatement	Davis	Sewer	County	Library	City	Levy for Clearfield
1996	0.2359%	0.8339%			0.3013%	0.0165%		0.0068%	0.0548%		0.0335%		1.4827%	
1997	0.2259%	0.7408%			0.2848%	0.0154%		0.0066%	0.0700%		0.0322%		1.3757%	
1998	0.2259%	0.7604%			0.2648%	0.0145%		0.0123%	0.0680%		0.0298%		1.3757%	
1999	0.2225%	0.7393%			0.1833%	0.0139%		0.0120%	0.0710%		0.0292%		1.2712%	
2000	0.2876%	0.7370%			0.1769%	0.0139%		0.0064%	0.0732%		0.0285%		1.3235% (1)	
2001	0.2876%	0.7513%			0.1710%	0.0200%		0.0062%	0.0763%		0.0435%		1.3559% (1)	
2002	0.2916%	0.7600%			0.1664%	0.0193%		0.0061%	0.0763%		0.0431%		1.3628%	
2003	0.2916%	0.7731%			0.1954%	0.0196%		0.0094%	0.0763%		0.0434%		1.4088%	
2004	0.2980%	0.7821%			0.1948%	0.0198%		0.0093%	0.0763%		0.0432%		1.4235%	
2005	0.2980%	0.7684%			0.1921%	0.0193%		0.0091%	0.0763%		0.0426%		1.4058%	

Source: Davis County Auditor's Office

(1) Figures corrected by Davis County Auditors in 2002.

Percentages are applied to the taxable value of property as stated.

Clearfield City Corporation
Table 7 - Ratio of Net General Bonded Debt to Assessed Value
And Net General Bonded Debt Per Capita
June 30, 2005

Fiscal Year	Estimated Population	Assessed Value (in thousands)	Last Ten Fiscal Years		Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
			Gross Bonded Debt	Debt Service Monies Available		
		\$	\$	\$		\$
1995-98 (1)	-	-	-	-	-	-
1999	25,581	674,866	15,000,000	-	0.0222	586.37
2000	25,974	740,001	14,585,000	-	0.0197	561.52
2001	26,640	834,709	14,160,000	-	0.0170	531.53
2002	26,948	929,702	13,725,000	1,182	0.0148	509.27
2003	29,640	942,954	13,205,000	79,826	0.0139	442.84
2004	30,960	992,543	12,655,000	26,945	0.0127	407.88
2005	30,960	1,044,214	12,405,000	15,613	0.0119	400.17

(1) The City had no bonded debt.

Clearfield City Corporation

**Table 8 - Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Governmental Expenditures**

June 30, 2005

Last Ten Fiscal Years					
Fiscal Year	Principal	(2) Interest	Total Debt Service	(3) Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1995-1998 (1)	\$ -	\$ -	\$ -	\$ -	-
1999	-	473,660	473,660	18,782,489	0.0252
2000	415,000	754,499	1,169,499	20,217,770	0.0578
2001	425,000	731,674	1,156,674	13,565,973	0.0853
2002	435,000	708,299	1,143,299	11,799,866	0.0969
2003	520,000	684,374	1,204,374	13,899,023	0.0867
2004	550,000	655,774	1,205,774	18,722,663	0.0644
2005	655,000	439,336	1,094,336	33,637,572	0.0325

(1) The City had no bonded debt.

(2) Does not include issuance or other costs.

(3) Includes general, special revenue, debt service, and capital projects funds.

Clearfield City Corporation
Table 9 - Computation of Legal Debt Margin
June 30, 2005

Total Actual Value	<u>\$ 1,387,859,917</u>
Debt limit - 4% of total actual value	55,514,397
Total amount of debt applicable to debt limit	<u>(12,405,000)</u>
Legal debt margin	<u>\$ 43,109,397</u>

Clearfield City Corporation
Table 10 - Computation of Direct and Overlapping Debt
June 30, 2005

<u>Name of Governmental Unit</u>	<u>Net Outstanding Debt (1)</u>	<u>Percent Applicable to Clearfield</u>	<u>Amount Applicable to Clearfield</u>
State of Utah	\$ 1,514,510,000	0.80%	12,116,080
Davis County School District	243,305,000	10.00%	24,330,500
Davis County	26,535,000	10.00%	2,653,500
Weber Basin Water Conservancy District	36,603,445	3.90%	1,427,534
North Davis County Sewer District	60,397,000	18.10%	10,931,857
Total overlapping debt			51,459,471
Clearfield City - direct	12,405,000	100.00%	12,405,000
Total direct and overlapping	<u>\$ 1,893,755,445</u>		<u>63,864,471</u>

1) Source: Davis County Auditor's Office.
Includes general bonded debt only.

Clearfield City Corporation
Table 11 - Revenue Bond Coverage
June 30, 2005

Last Ten Fiscal Years

Water Revenue Bonds

Fiscal Year	Revenue	Operating Transfers	Expenses Net of Interest	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
1996	\$ 3,331,823	\$ (821,578)	\$ 2,553,960	\$ (43,715)	\$ 148,651	\$ 87,945	\$ 236,596	(0.18)
1997	3,529,292	(377,100)	2,998,159	154,033	155,162	74,150	229,312	0.67
1998	3,637,435	50,000	3,198,515	488,920	163,915	77,313	241,228	2.03
1999	3,884,419	-	3,383,512	500,907	331,690	74,416	406,106	1.23
2000	4,157,494	(109,798)	3,623,560	424,136	183,000	49,691	232,691	1.82
2001	4,919,914	(74,371)	3,811,360	1,034,183	191,000	57,100	248,100	4.17
2002	5,242,597	(925,186)	4,102,179	215,232	145,141	39,345	184,486	1.17
2003	5,717,935	63,261	4,448,785	1,332,411	395,000	19,475	414,475	3.21
2004	6,230,790	1,236,824	3,896,269	3,571,345	167,000	9,886	176,886	20.19
2005	6,369,380	155,172	4,726,674	1,797,878	-	-	-	N/A

Clearfield City Corporation

Table 12 - Demographic Statistics

June 30, 2005

United States Census:

<u>Year</u>	<u>Population</u>
1900	229
1910	409
1920	658
1930 (1)	799
1940	1,053
1950	4,723
1960	8,833
1970	13,316
1980	17,982
1990	21,435
2000	25,974
2005	30,960

Age Distribution of Population: (2)

<u>Age</u>	<u>Number</u>	<u>Percent</u>
Under 5	3,777	12.20%
5-9	3,158	10.20
10-14	2,570	8.30
15-19	3,158	10.20
20-24	3,529	11.40
25-34	5,573	18.00
35-44	3,901	12.60
45-54	2,353	7.60
55-59	650	2.10
60-64	526	1.70
65-74	867	2.80
75-84	712	2.30
85+	186	0.60

Median Age: 24.0

(1) Clearfield was considered an election precinct until incorporation in 1922.

(2) Estimated based on 2000 United States Census information.

Clearfield City Corporation
Table 13 - Property Value and Construction
June 30, 2005

Last Ten Years						
Fiscal Year	Non-Residential Construction		Residential Construction		Estimated Property Value (in thousands)	
	No. of Units (1)	Value	No. of Units (1)	Value		
1996	20	\$ 3,454,637	350	\$22,834,613	\$ 702,811	(1)
1997	24	4,571,496	271	20,750,426	731,818	
1998	69	3,756,949	756	41,696,168	823,832	(1)
1999	24	24,463,104	240	13,918,749	912,749	
2000	26	7,768,375	185	8,147,616	997,123	
2001	25	6,207,852	172	16,467,452	1,096,176	
2002	9	8,730,309	265	29,279,256	1,209,777	
2003	8	3,600,365	262	29,724,281	1,236,857	
2004	4	5,352,388	116	13,065,354	1,306,073	
2005	7	3,722,254	101	14,162,315	1,387,860	

Includes only new construction (remodels, additions, etc. are not included).

(1) Figures corrected by Davis County Auditor's Office in 1999.

Source: Clearfield City Inspection Department
Davis County Auditor's Office

Clearfield City Corporation

Table 14 - Principal Taxpayers

June 30, 2005

Taxpayer	Type of Business	Percentage of Total Taxable	
		Taxable Value	Value
Freeport Center Associates	Property Leasing	\$ 115,752,259	11.09%
Lifetime Products	Commercial	46,893,503	4.49%
Qwest	Commercial	21,777,236	2.09%
ATK Aerospace	Commercial	19,657,047	1.88%
Boyer TRW	Commercial	16,595,645	1.59%
Honeywell International	Commercial	16,112,966	1.54%
Security Capital Industrial	Commercial	15,735,700	1.51%
K & M Two	Residential	14,698,377	1.41%
Gardenburger	Commercial	11,874,648	1.14%
Americold Real Estate LP	Commercial	10,410,327	1.00%

Sources: Davis County Assessor's Office
Davis County Auditor's Office

Clearfield City Corporation

Table 15 - Miscellaneous Statistics

June 30, 2005

Date of Incorporation	July 17, 1922
Form of Government	Council/Mayor w/Manager by Ordinance
Population (estimated)	30,960
Area	7.52 square miles
Miles of Streets	76.5 miles
Number of Street Lights	758
Fire Protection:	
Number of Stations	1
Number of Full-Time Firemen	14
Number of Part-Time Firemen	16
Police Protection:	
Number of Stations	1
Number of Police and Officers	31
Education:	
Number of High Schools	1
Number of Junior High Schools	1
Number of Elementary Schools	5
Number of Shared Elementary Schools (½ belongs to another city)	2
Number of Special Education Schools	1
Number of Teachers	220
Number of Students	(estimated) 5,948
Municipal Water Department:	
Number of Customers	6,304
Average Daily Consumption:	
Commercial	5,102,230 gallons
Residential	2,213,047 gallons
Miles of Water Mains	117.54 miles
Sewers:	
Sanitary Sewers	82.00 miles
Storm Sewers	52 miles
Building Permits Issued	308
Predominant Religion	LDS (Mormon)
Percent of Population	40.40%
Number of Congregations	28
Number of Chapels	10
Number of Stakes	3
Number of Branches	1
Recreation and Culture:	
Number of Parks	11
Number of Boweries	4
Number of Tennis Courts	5
Number of Soccer Fields	2
Number of Baseball/Softball Diamonds	8
Number of Youth in Recreation Programs	5,507
Number of Libraries	1
Number of Volumes in Library	101,067
Employees:	
Full-time	120
Part-time	204

OTHER REPORTS

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Ulrich & Associates, PC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor & Members of the City Council
Clearfield City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clearfield City as of and for the year ended June 30, 2005, which collectively comprise the Clearfield City's basic financial statements and have issued our report thereon dated November 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clearfield City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clearfield City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Clearfield City in a separate letter dated November 17, 2005.

This report is intended solely for the information and use of the City Council, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Ulrich & Associates, P.C.

November 17, 2005

Ulrich & Associates, PC

Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor & Members of the City Council
Clearfield City, Utah

Compliance

We have audited the compliance of Clearfield City Corporation with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Clearfield City Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clearfield City Corporation's management. Our responsibility is to express an opinion on Clearfield City Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clearfield City Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Clearfield City Corporation's compliance with those requirements.

In our opinion, Clearfield City Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Clearfield City Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clearfield City Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ulrich & Associates, P.C.

November 17, 2005

Clearfield City Corporation
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

<u>Federal Grantor</u>	<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Grant Expenditures</u>
<u>Major Programs</u>					
<u>U.S. Department of Housing and Urban Development</u>					
Passed through State Department of Community Development, Division of Community Development					
CDBG	400 East	14.218	B-04-MC-49-0008	\$181,827	8,150
CDBG	1000 South	14.218	B-04-MC-49-0008	262,764	261,580
CDBG	Subrecipients	14.218	B-04-MC-49-0008	97,173	29,291
CDBG	Administration	14.218	B-04-MC-49-0008	55,800	18,794
Total U.S. Department of Housing and Urban Development					<u>317,815</u>
<u>Nonmajor Programs</u>					
<u>National Park Service, Department of the Interior</u>					
Passed through Utah Division of Parks and Recreation					
Land and Water Conservation Fund					
	Jessie Barlow Park	15.916	49-00335-H	285,000	285,000
<u>U.S. Department of Homeland Security</u>					
Passed through the State of Utah					
Operations and Firefighter Safety	Firefighters Assistance Grant - Turnout Gear	97.044	EMW-2004-FG-02801	39,600	39,600
Homeland Security Grant Law Enforcement				8,939	<u>8,939</u>
Total federal expenditures					<u><u>\$ 651,354</u></u>

Clearfield City Corporation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Clearfield City.
2. No reportable conditions relating to the audit of the general purpose financial statements were reported.
3. No instances of noncompliance material to the general purpose financial statements of Clearfield City were disclosed during the audit.
4. No reportable condition relating to the audit of the major federal award program is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion on the major federal programs.
6. No audit findings relative to the major federal award program for Clearfield City are reported in this schedule.
7. The programs tested as were:

Community Development Block Grant	CFDA#	14.218
Firefighters Assistance Grant	CFDA#	97.044
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Clearfield City did not qualified as a low-risk auditee.

Findings Financial Statements

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None

Ulrich & Associates, PC

Certified Public Accountants

STATE LEGAL COMPLIANCE REPORT

Honorable Mayor and Members of City Council
Clearfield City
Clearfield City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clearfield City, Utah, for the year ended June 30, 2005, and have issued our report thereon dated November 17, 2005. As part of our audit, we have audited Clearfield City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major assistance programs from the State of Utah:

Class "C" Road Allotment
Liquor Law Enforcement

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Clearfield City's financial statements).

Arts Council (Department of Community & Culture)
Sidewalk Construction (Department of Transportation)
Public Health Services (Department of Health)
EMS Grants (Department of Health)

Our audit also included test work on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Justice Court Compliance
Cash Management	B & C Road Funds
Purchasing Requirements	Other Compliance Requirements
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation & Property Tax Limitation	Impact Fees and Other Development Fees
Liquor Law Enforcement	Asset Forfeitures

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The management of Clearfield City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Clearfield City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or earmarking, reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Ulrich & Associates, P.C.

November 17, 2005

Clearfield City Corporation
State Legal Compliance - Schedule of Findings
For the Year Ended June 30, 2005

1 Budgetary Compliance

Expenditures exceeded the approved budgetary amount in the debt service function of the general fund by \$3,881.

Management Response - Management will more closely monitor the expenditures in the coming year.

2 Truth in Taxation and Property Tax Limitations

Amounts reported on the TC-693 for Budgeted Property Tax Revenue do not equal the Original Approved Budget as required for both the general and debt service fund. Amounts under budgeted are \$140,895 and \$38,751 respectively.

Management Response - Information from the County regarding property taxes has not always been available at the time the budget is adopted. Management will work to bring the budgeted revenues in agreement with the amounts on the TC-693.